

Bindery

# The Department of State bulletin

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January 15, 1951

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VOL. XXIV, No. 602 • PUBLICATION 4068

January 15, 1951

For sale by the Superintendent of Documents  
U.S. Government Printing Office  
Washington 25, D.C.

PRICE:  
52 issues, domestic \$7.50, foreign \$10.25  
Single copy, 20 cents

The printing of this publication has  
been approved by the Director of the  
Bureau of the Budget (July 29, 1949).

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a weekly publication compiled and  
edited in the Division of Publications,  
Office of Public Affairs, provides the  
public and interested agencies of  
the Government with information on  
developments in the field of foreign  
relations and on the work of the De-  
partment of State and the Foreign  
Service. The BULLETIN includes  
press releases on foreign policy issued  
by the White House and the Depart-  
ment, and statements and addresses  
made by the President and by the  
Secretary of State and other officers  
of the Department, as well as special  
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## **Charting the Course for 1951**

*Statement by Secretary Acheson*

[Released to the press December 30]

We have gone through a dark year. It was a year of steadily increasing tension which broke, in June, into open fighting, an action which underwent a manifold increase in scale with the flagrant and barefaced attack by Communist China. It was a year in which the leaders of the Soviet Union talked loudly of peace, but their words were drowned out by the noise of their warlike acts. But let us not make the mistake of permitting the deep shadow which overcast 1950 to obscure certain fundamental accomplishments that are a part of the year's record. I call attention to some of them here because they form a part of the foundation on which we are going to build in 1951. They also concern the foreign policy which this Government has been pushing for the past 5 years—a policy which is designed to create unity and security for the free world. It is our firm intention to press forward with this policy. We are confident it is sound.

Last June, the United Nations met squarely the issue of Communist aggression against the Republic of Korea. Fifty-three nations joined in branding the North Koreans as aggressors and called for military action from member nations to drive them out. Twenty-five nations made offers of material contributions to the United Nations army. Infantry units of 13 nations are fighting in Korea under the United Nations flag, and 14 countries have contributed air, naval, and medical contingents.

This is concrete evidence that our associates in the free world are willing to make sacrifices—and, in some instances, the sacrifices entailed are considerable—in the interests of collective security. They are demonstrations of the willingness of these nations to stand up and be counted for the cause of freedom.

### **The Year In Retrospect**

During 1950, the procedures of the General Assembly were strengthened so that the United

Nations could not be rendered impotent by obstructionist use of the veto.

The year, also, saw progress in shaping the North Atlantic Treaty Organization. The talks in Brussels this month paved the way for action and made possible the appointment of General Eisenhower as Supreme Allied Commander. We are getting on with the job of marshaling an effective security force for the North Atlantic community.

In the past 12 months, the Mutual Defense Assistance Program moved ahead at a good pace.

Point 4, tremendous in potential though modest in scale, got under way. The European recovery which the Marshall Plan was designed to accomplish has made tremendous strides and, in some nations, is a full year ahead of schedule.

The year produced another move of grim significance to the free world. For the first time since V-J Day, the Soviet Union went a step beyond tactics of indirection and subversion—and encouraged the use of force. Consequently, the air is now cleared of any shred of doubt that might have existed as to the methods which the Soviet Union is willing to use. The Politburo's sanctimonious profession of its desire for peace is shown to be nothing but camouflage to cloak the naked imperialism of its aims.

### **Prospects for 1951**

Thus, the crisis of this past year—and, thus, the need for some very plain talk on plans and prospects for 1951.

The emergency we face is one of extreme gravity. Our freedom, our way of life is menaced. We must rebuild our own defenses and help buttress those of the free world. That means sacrifice. That means maximum effort from each one of us. It means that there must be full understanding of the problems we are facing. It means also that there must be full support for the measures which may be essential to preserve the free world.

I believe that there are certain fundamentals of policy which must be followed in 1951:

This country must remain true to its tradition of standing by its friends. To abandon our allies would gratify the Kremlin. To do so would be appeasement on a gigantic scale. The Soviet Union, holding in unhappy bondage the peoples of Eastern Europe, wields enough power without making the Soviet imperialists a gift of the productive capacity and technical skills of Western Europe, plus the strategic resources and the manpower of the Middle East and Asia.

Regardless of threats, this country will not compromise by appeasement its security or the principles by which a society of free men must live. We will not reward Communist aggression. In Korea, this means that this country will not be intimidated by the threats coming out of Peiping; but will continue under the United Nations to combat the forces of aggression.

This Government will press vigorously ahead with programs and policies, the validity of which has been established by actual test. We will redouble our efforts to build situations of strength to meet trouble wherever it threatens. This is the effective counter to Communist expansion. The present difficulties arise from the lawless and cynical conduct of the Communists who would destroy peace and freedom. This conduct requires us to add rapidly to our military strength. We will continue our efforts to work for peace through the United Nations. That is the kind of people we are—but we now, once again, must see to our arms.

Economic aid will be carried forward—although redirected, where necessary, to contribute to the military strength of the free world.

We will step up the international information program to make sure that the ideals of free men have full expression, that the Soviet Union and its puppets are constantly before the bar of world opinion, and to present an accurate and factual interpretation of American action and intention.

We must strive to close the ranks at home to obtain the strength which derives from unity. The two great parties must continue to consult with each other on international affairs in order to insure that American action will have maximum possible bipartisan backing.

#### **Creating Strength To Repel Aggression**

The lesson of Korea has hit home. We must rally to the support of the President in his call for rapid strengthening of our national defenses and for readying the full moral and material strength of the nation to guard against the dangers that threaten us. No sacrifices are too great when the future of this nation is at stake.

I am confident that, if we dedicate ourselves to a build-up of strength in the months ahead, we will come through this crisis. We have the pro-

ductive capacity, the skill, and the manpower that are required. All that is needed is the determination to do the job. There will be no lack of will if we keep ever in mind, during the new year, that American strength is the indispensable component of world peace.

The great resources of this country are now being marshaled and the armed forces rapidly being expanded. New weapons are being forged which will be made available to our own forces and to our allies. Meanwhile, our allies are also increasing their military production and building up their armed forces.

I am sure that this country, together with the other free nations, will create the strength necessary to repel aggression, restore stability, and increase the well-being of the free world.

#### **PUBLICATIONS**

##### **Recent Releases**

*For sale by the Superintendent of Documents, Government Printing Office, Washington 25, D. C. Address requests direct to the Superintendent of Documents, except in the case of free publications, which may be obtained from the Department of State.*

**Health and Sanitation: Cooperative Program in Peru.** Treaties and Other International Acts Series 2101. Pub. 3967. 3 pp. 5¢.

Agreement between the United States and Peru providing for extension of program, as modified and extended—Effectuated by exchange of notes signed at Lima June 28, 1948, and May 22, 1950; entered into force June 30, 1948.

**Report to the President of the United States by the Economic Survey Mission to the Philippines.** Far Eastern Series 38. Pub. 4010. 107 pp. 55¢.

Bell mission report and recommendations for the economic and financial problems of the Philippine Republic.

**United Nations Action in Korea Under Unified Command: Seventh Report to the Security Council, November 3, 1950.** International Organization and Conference Series III, 63. 8 pp. 5¢.

**Courage and Common Sense in Time of Crisis.** General Foreign Policy Series 37. Pub. 4025. 8 pp. Free.

Extemporaneous remarks by Secretary Acheson before a national conference on foreign policy on November 15, 1950.

**Plowing a Straight Furrow.** General Foreign Policy Series 38. Pub. 4026. 7 pp. Free.

Remarks by Secretary Acheson before the 15th National Council of Negro Women, November 17, 1950 at Washington, D. C.

**Aid to Yugoslavia.** European and British Commonwealth Series 16. Pub. 4030. 6 pp. Free.

A fact sheet on plans for economic aid by the United States and other countries.

## **Where Are We? A Five-Year Record of America's Response to the Challenge of Communism**

by John Foster Dulles  
*Consultant to the Secretary<sup>1</sup>*

At the end of the year, it is our good custom to pause to think about the past so that we can better plan the future. This year end it is particularly important to do that, and we should be grateful to all who, out of wisdom, experience and proven idealism, help to clarify the grave issues that confront us.

As we look back, we need not feel despondent. Great dangers still surround us and there are many patches of ground fog. But, once we lift our vision so that we see the present in the light of historical perspective, it is apparent that the last 5 years have been years of achievement and that our people have already surmounted a great peril.

### **THE DANGER OF WESTERN DECADENCE**

Nations are like people in the sense that, while they may die a violent death, they are more apt to die in their beds, particularly as they grow older. The great question of our time has been whether our Western civilization had become so old and decadent that it was bound to pass away, giving place to the younger, dynamic, and barbarian society born out of the unholy union of Marx's communism and Russia's imperialism.

For a thousand years, our Western civilization had been dominant in the world. It won and held that leadership on merit. It produced spiritual, intellectual, and material richness such as the world had never known before. The fruits of Western society were spread everywhere, and men, elsewhere, wanted to share them, rather than to destroy their source.

However, a thousand years is a long time, even for a civilization, and many had come to feel that Western civilization had run its course and had

become infected with the same decay as had rotted other great civilizations of the past. The Communists shouted that everywhere. The West, they said, could no longer produce the vital leadership or creative acts needed to satisfy the dissatisfied masses; only communism could do that.

With that slogan they softened up the opposition and then moved in with terrorism, subversion and civil war to gain political control. By those methods the Russian state and the Bolshevik Party, working hand in hand, brought about 800 million people under their control. That is about one-third of all the people there are. And still they were rolling on toward their announced goal of a Communist "one world."

Who was there to stop them? Many thought that they were unstoppable; and a bandwagon trend was getting under way.

### **U.S. RESPONSIBILITY**

At this critical moment, heavy responsibility fell upon the United States. We were still a relatively young nation; we had not been devastated by war, and were on that account less susceptible than some others to the poison that the Communist Party distills. If anyone could perhaps demonstrate the faith and works needed to rally men to the cause of human freedom, it should be the United States.

The whole world watched to see. If, at that juncture, we had sought only to save ourselves, that would have been public confession that the Communists were right when they said that the West had rotted. The tide of communism would have rolled on irresistibly, and we would have been encircled, isolated, and finally engulfed. Only, as we sought to help others could we save ourselves.

Our people responded to that challenge by a 5-year record of which we can be proud.

Consider these deeds:

<sup>1</sup> Address made before the American Association for the United Nations at New York City on Dec. 29 and released to the press on the same date.

1. We showed, by example within our own country, that social justice could be had without traveling the Communist road of violent revolution and materialism. Through graduated income and estate taxes, and social security and pension plans, our capitalistic society has come to approach more nearly than the Communist world, the ideal of production according to ability and distribution according to need.

2. Within 5 years the colonial system, which had become a festering sore, has been subjected to orderly liquidation. Over 550 million people have peacefully won political independence. Great Britain, as the principal colonial power, took the lead. Our own direct national contribution has been the granting of freedom to the Philippines and the discrediting of racial discrimination here at home. But, in many other ways, we helped in this whole great process of building between men of different races, creeds, and colors a new relationship of partnership and of equality.

3. Since the end of World War II, we have provided, in loans and grants, over 40 billion dollars for the relief of other people and the reconstruction of other lands, thereby practicing the great commandment that the strong ought to lighten the burdens of the weak.

4. We took the lead in founding the United Nations as an organization for recording the moral judgments of the world and developing ways to put power behind those judgments so as to promote collective justice and security. This year, for the first time in all time, a world organization moved with force to halt aggression. It seemed that the hope of ages had come true. Whatever now be the disappointments, we can know that the sons of the United Nations who in Korea lay down their lives, do so for the noblest cause for which men ever died in battle. They have done the indispensable by showing that world order can be made a practicable possibility. Nothing now can stop the determination of the people to achieve solidly that goal.

#### THE NEED FOR CONSTRUCTIVE CRITICISM

Now, I do not suggest for a moment that our record is a record of perfection. Our own social changes may have gone so far as unduly to curtail incentive and self-reliance. In some cases, political independence may have been given to peoples who are so inexperienced in the ways of self-government that it will be hard for them to preserve that independence in the face of the diabolically clever apparatus of Soviet communism. Our loans and grants to others may sometimes have provided temporary relief rather than incentives to bold new creations of unity and strength. Both the United States and the United Nations may have assumed political responsibilities which they did not yet have the power to back up. Policies, themselves good, often lacked efficient and timely execution. There have been grave and perhaps

unnecessary set-backs. Almost surely the free world erred in relying too much on potential power and in not creating enough military strength in being.

There is no occasion for complacency or for whitewash. There is need to expose errors and to point the way to making better use of all the moral and material assets that our people have shown they could provide. Such constructive pressures are needed, and I have been among those who sought to create them. Under our political system, that is a special responsibility of the opposition party.

But, whatever may have been the faults and inadequacies of leadership, our people over the past 5 years have wrought mightily, and not without result.

#### THE "COLD WAR" THWARTED

A year ago, on January 1, 1950, *Izvestia's* leading editorial welcomed the New Year with these words:

Around the U.S.S.R. the camp of the fighters for peace, democracy, and socialism is growing and becoming stronger.

The forces of this camp are multiplying day by day. The camp of democracy and socialism today includes the great Soviet Union, democratic Poland, Czechoslovakia, Bulgaria, Rumania, Hungary, Albania, Northern Korea, the Mongol People's Republic, the Chinese People's Republic, the German Democratic Republic.

And the editorial concluded:

Communism is conquering, Communism will triumph!

I do not know what *Izvestia* will say next Monday in greeting to 1951. I do know that, whereas between 1945 and 1950 it was boasting new conquests at the average rate of over two nations and 150 million people a year, there are, this year, no new names of which to boast. I do not predict that we have seen the end of Soviet Communist expansion, but the free world has found the way to slow down Soviet Communist expansion by cheap methods; short of open war. That is no mean accomplishment.

Communism pitted its youth against what it thought was our decrepitude; its universal creed against what it thought was our isolationism; its revolutionary practices against what it thought was our static mood. It found, to its dismay, a people who, when under pressure, did not decompose into factionalism and frustration. Unitedly, and with unpartisan and bipartisan leadership, they joined in an outpouring of compassion, fellowship, and material succor such as history has never before recorded. There is scarcely a man, woman, or child in the United States who has not consciously made some sacrifice, out of the highest motives of which human beings are capable. In the process, they have ennobled their own characters, have given new hope and courage to millions elsewhere, and have discomfited the leaders of Soviet communism.

There are defects, at top and bottom, but the broad outline is not without a certain grandeur. It is not to be belittled; nor is the mood one to be reversed.

We can rejoice in the renewal of the faith that has been the rock of our foundation and out of which have gushed healing waters. We can be confident that that faith, if sustained, assures our capacity to overcome at least one of the twin dangers which, at the end of World War II, confronted us. We are not doomed to die in our beds.

#### The Future

So much for the past. Let us look now to the future. Have we renewed our youth like the eagle's only to be shot at in battle? That might be. That was the risk our people took when they decided not to die from the internal diseases of old age.

The leaders of Soviet communism would have preferred sickness to be the method of our passing. They have great skill in spreading malignant germs and they prefer to practice that art rather than the art of open war where their nation may have quantitative superiority, but has qualitative inferiority. Party leaders have always distrusted the army and the generals, and are reluctant to give them the power that war exacts. If they have to use any army, they would rather use someone else's.

But, since it seems that the free world has gained a certain immunity to the Communist Party poison, their leaders must now decide whether to accept one of those waiting periods which Stalin has taught may, from time to time, be necessary in order "to buy off a powerful enemy and gain a respite" or whether to resort increasingly to open war.

The fact that the free world succeeded, to the degree it did, in slowing up Communist success by methods short of war, automatically increased the risk of war itself.

But risk is not the same as certainty. Just as we surmounted, in recent years, the primary peril of inner decay, so, in the year ahead, we must seek to surmount also the peril of full-scale foreign war. We must find effective deterrents to Russian armed aggression.

The free world starts out with certain assets which, I think we would all agree, are capable of being developed into deterrents of a general war of Russian origin. Since moral factors do not weigh heavily in the Russian scale, we are forced to think somewhat in material terms.

#### OUR INDUSTRIAL SUPERIORITY

Our inventive, resourceful, and free society has given industrial productivity far greater than that of Russia. In terms of steel, aluminum, electric power, and oil, the United States has a superiority of 3 or 4 to 1 over Russia. That ratio of supe-

riority would not, of course, hold if Russia could take the industrial power of the Ruhr and Western Europe and the oil of the Middle East. So long as there are impediments to that, the free world has an economic power which operates as a major deterrent to open Russian aggression, particularly if we also have the will to forego some of our pleasures and put our economic machine into creating weapons on a mass production basis.

#### RUSSIAN INTERNAL VULNERABILITY

Already, within the captive world, there are grave internal weaknesses, and these could be exploited by skillful opponents. Despotism, when looked at from without, usually looks solid and formidable, whereas free societies look divided and weak. Actually, that is an optical illusion. The reality is just the opposite.

Take Russia. Out of its 200 million people, only about 6 million, or 3 percent are members of the ruling Communist Party. The political prisoners number from 10 to 15 million, or twice the total membership of the Party. The Party itself is shot through with distrust and suspicion, and there are periodic purges as between Party factions. No one, even in high authority, feels personally safe. In the case of the satellite countries, the situation is even more precarious. For example, there is much unrest on the China mainland, and, in Poland and Czechoslovakia, the people are forced to accept officials of Russian nationality because the Russian masters cannot find any Poles or Czechs they are willing to trust.

When a few men rule despotically 800 million, that is bound to be a vulnerable position. Many of the 800 million are sure to be sullen, resentful, and eager for change. Most of the others will have been so beaten into submissiveness by the harsh discipline of the police state that they have lost all sense of personal responsibility. They could not respond to the unpredictable needs which come out of war disruptions. War can be very unkind to rulers who are despots and who have systematically destroyed the individual initiatives of their people. They know that, and we can increasingly help them to see the light.

#### THE FALLACY OF AREA DEFENSE

When it comes to straight military strategy, the free world seems, momentarily, in a mood of some confusion and without any agreed deterrent program.

The Soviet Union has interior lines. It has concentrated men, tanks, artillery, and strategic and tactical planes around the hub of the great circle of its control. The rim starts near the North Pole, swings south, along the border of Norway, Finland, Sweden, West Germany, Austria, and Yugoslavia; then east, along the border of Greece, Turkey, the Arab states, Iran, Afghanistan, Pakistan, India, Burma, Indochina, and Malaya; then northward

close to the Philippines, Formosa, Japan, Korea, and Alaska. From within this vast orbit, a single will can, in secrecy, plot and act to strike any one of the many nations with overwhelming force.

It may be possible, by prearranged defense, to make that attack costly, particularly where sea and air power play a role or where, as in Western Europe, there is depth and numbers and military experience on which to draw. But, with more than 20 nations strung along the 20,000 miles of iron curtain, it is not possible to build up static defensive forces which could make each nation impregnable to such a major and unpredictable assault as Russia could launch. To attempt this would be to have strength nowhere and bankruptcy everywhere.

That, however, does not mean that we should abandon the whole idea of collective security and merely build our own defense area with the help of such other countries as we might pick because of their capacity to be useful to us.

The whole world can be confident that the United States will not, at a moment of supreme danger, shed allies who are endangered and to whom we are bound by solemn treaty, by common heritage, and by past fellowship in war and peace. I do not interpret anyone as urging this. Any nation doing that would scarcely be in a position, thereafter, to do much picking and choosing for its own account. It would have elected a dangerous course, for solitary defense is never impregnable. It is possible to plan on paper, and describe in words, what it seems should be an impregnable defense, a China Wall, a Maginot Line, a Rock of Gibraltar, an Atlantic and Pacific Moat. But the mood that plans such a defense carries, within itself, the seeds of its own collapse. A defense that accepts encirclement quickly decomposes. That has been proved a thousand times.

A United States which could be an inactive spectator while the barbarians overran and desecrated the cradle of our Christian civilization would not be the kind of a United States which could defend itself.

#### THE DETERRENT OF RETALIATORY POWER

Fortunately, we do not have to choose between two disastrous alternatives. It is not necessary either to spread our strength all around the world in futile attempts to create everywhere a static defense, nor need we crawl back into our own hole in the vain hope of defending ourselves against all the rest of the world. We are not so bankrupt in resourcefulness that we can find only those two choices. There are others.

Around the rim of the captive world, the free world can maintain enough economic and political vigor, enough military strength, and enough will to resist so that these areas cannot be cheaply conquered by subversive methods, by trumped up "civil wars," or even by satellite attacks.

That leaves to be dealt with the possibility of

full-scale attack by the Soviet Union itself. As against that there is only one effective defense, for us and for others. That is the capacity to counterattack. That is the ultimate deterrent.

When I was in the Senate, working for the ratification of the North Atlantic Pact, I took the position that it did not commit the United States to the land defense of any particular area; it did commit us to action, but action of our own choosing rather than action that an aggressor could dictate to us.

In Korea, the United Nations forces suffer the grave handicap of trying to repel an aggressor within the limited area he selected for an attack, at the time he selected, and with methods of war which are dictated by the terrain, and the weather he selected.

Our people have loyally, sacrificially, and rightly backed this historic first attempt at organized suppression of aggression. We have done so despite the fact that this effort involves the inevitable defects of any first endeavor. But we instinctively feel that there is something wrong about the method and do not want to be committed to a series of Koreas all around the globe.

That instinct is quite sound.

Against such military power as the Soviet Union can marshal, collective security depends on capacity to counterattack against the aggressor. Then, there can be concerted, rather than dissipated power, for the force that protects one protects all, and with that there is a good chance of deterring aggression.

The free world is not without power in this respect. It has a strategic air force and a stock of weapons. But total reliance should not be placed on any single form of warfare or any relatively untried type of weapon. It has naval power, and potential strength on the ground. Much more of all of this needs, now, to be brought into being. The arsenal of retaliation should include all forms of counterattack with maximum flexibility, mobility, and the possibility of surprise. The places of assembly should be chosen, not as places to defend, but as suitable stages for launching the means of destroying the forces of aggression, if aggression occurs. The United Nations, if it shows that it has the requisite moral courage, should be given the right to determine the fact of aggression so as to insure the Charter goal of armed forces not being used save in the common interest.

In such ways, the idea of collective security can be given sensible and effective content.

#### THE HOPE OF RIGHTEOUS PEACE

We cannot be sure that anything we now do will, in fact, prevent the awful catastrophe of a third world war. The final decision will be made in the Kremlin. Perhaps, it has been made already. That we cannot know. We face a period that is bound to be one of grave anxiety. But so long as

the die has not been irrevocably cast for war, we must assume that righteous peace may yet be possible; and we must work with all the power that lies within us to achieve that peace.

It is not pleasant, at this holiday season, to talk about instruments of death. But events in Korea have shown that peace is not to be found in an unbalance of military power. To correct that balance is a grim necessity. But it is a necessity which also requires that we be vigilant to preserve and not relax the moral safeguards with which military power needs always to be surrounded.

We can rejoice that the United Nations forces in Asia and the North Atlantic forces in Europe are under the command of two men, General MacArthur and General Eisenhower, who have demonstrated, in peace and war, that they put material values second and moral values first. That should be the mood of all people.

It is not easy to do what has to be done without whipping up emotions which are provocative of war. We must make certain that no act of ours increases the already acute danger. So let us, on the eve of this New Year, solemnly consecrate ourselves to that calm resolve which, in moments of peril, is the hallmark of true greatness.

## Office of U.S. High Commissioner for Germany Moved to Bonn

[Released to the press January 3]

John J. McCloy, United States High Commissioner for Germany, announced today that the High Commissioner for Germany's headquarters will be transferred from Frankfort to the Bonn enclave as soon as housing, office space, and other facilities can be constructed. This is expected to be by September 1, 1951.

Mr. McCloy stated:

The Bonn move is a basic step directed toward the establishment of normal relations with the German Federal Republic at its seat of government.

This move will simplify our working relationships with the federal officials without sacrificing our contacts with the laender. It is especially gratifying to me that it can be accomplished without expense to the German people, as the construction costs and related expenses will be paid with U.S. counterpart funds and will not be charged against occupation costs.

Mr. McCloy's personal headquarters will be included in the move to Bonn, but he will continue to maintain an office at Frankfort. Certain HICOG units will probably remain at Frankfort following the shift to Bonn until they are phased out or can be accommodated in the Bonn area. The recently-completed housing project in Frankfort will be retained during that time and for such additional time as necessary for HICOG and United States Army personnel. As soon as feasible, the space

will be released, as originally planned, to the city of Frankfort.

Glenn G. Wolfe, Director of the Office of Administration, explained that:

The construction in the Bonn area, at sites not yet determined, will include office facilities and permanent type housing accommodations for both American and German employees, plus other auxiliary requirements.

All construction of HICOG housing facilities is planned in due consideration of ultimate U.S. needs in Germany as well as maximum utilization by the German people and is financed from U.S. counterpart funds accruing from dollar expenditures in Western Germany.

It was pointed out that though the Bonn move will probably speed up the planned contraction of the HICOG headquarters and laender staffs, most of the reduction in personnel would come through normal attrition during the next year in any case; thus the move is not expected to result in large-scale release of laender or headquarters personnel.

## Chauncey G. Parker, Assistant U.S. High Commissioner for Germany

On December 29, the Department of State announced the appointment of Chauncey G. Parker as Assistant United States High Commissioner for Germany. Benjamin J. Buttenwieser, presently Assistant High Commissioner, continues in that office where he assists High Commissioner John J. McCloy in matters of policy and representation. Mr. Parker will serve in an executive capacity in the operating field.

## Relief Assistance for Flooded Areas of India and Pakistan

[Released to the press January 5]

Through the joint cooperative efforts of the Department of Defense and the War Relief Services-National Catholic Welfare Conference, 4 tons of relief supplies including children's clothing, blankets, medicines, and foodstuffs were shipped today in United States Air Forces planes to Pakistan and India.

Following heavy floods in Kashmir and the Punjab areas of India and Pakistan, the American Embassies at New Delhi and Karachi reported on these disasters and urged that relief assistance be extended to the flood victims. The supplies will be distributed to the unfortunate people in the stricken areas of India and Pakistan.

A similar relief shipment for the earthquake victims in Assam was flown to India in October 1950 through the combined efforts of the United States Air Force and the American Red Cross.

## **Status of Negotiations With Soviet Union on Proposed Foreign Ministers Meeting**

### **STATEMENT BY SECRETARY ACHESON<sup>1</sup>**

I have the following comments to make about the exchange of notes<sup>2</sup> relating to the proposed meetings of representatives of the United States, the United Kingdom, France, and the Soviet Union:

Last November, the Soviet Union proposed that the Council of Foreign Ministers meet to consider German demilitarization on the basis of the Praha communiqué. You will recall that this communiqué, which was full of the usual false allegations against the three Western powers, repeated previous proposals which not only had been rejected by the majority of German opinion but also had been found to afford no basis for a constructive solution of the German problem.

On December 22 the United States replied that existing international tensions arise not from the question of the demilitarization of Germany nor even from the German problem as a whole but from the general attitude adopted by the U.S.S.R. since the end of the war and from consequent international developments of recent months. This being so, the United States, along with France and the United Kingdom, rejected any CfM meeting which would take up only the question of Germany. The United States note stated:

5. The serious tension which exists at present springs neither from the question of the demilitarization of Germany nor even from the German problem as a whole. It arises in the first instance from the general attitude adopted by the Government of the U.S.S.R. since the end of the war and from the consequent international developments of recent months. The Governments of the four powers would be failing in their full responsibility if they were to confine their discussion to the narrow basis proposed by the Soviet Government. Questions related to Germany and Austria would obviously be subjects for discussion. But the U.S. Government believes that any discussions should include equally the principal problems whose solution would permit a real and lasting improvement in the relations between the Soviet Union and the United States, Great Britain and France and the elimination of the causes of present international tensions throughout the world.

<sup>1</sup> Made at press conference on Jan. 3 and released to the press on the same date.

<sup>2</sup> See also BULLETIN of Jan. 1, 1951, p. 11.

6. The U.S. Government is prepared to designate a representative who, together with representatives of the Soviet, British and French Governments would examine the problems referred to in the preceding paragraph with a view to finding a mutually acceptable basis for a meeting of the foreign ministers of the four countries and recommend to their Governments a suitable agenda. It would appear that the presence of representatives of the above-named governments at the seat of the United Nations in New York presents the most convenient opportunity to conduct such exploratory discussions.

The British and French Governments sent similar replies.

The Soviet note received Monday makes no mention of the broader issues which we proposed should be explored but merely restates the Soviet position that the CfM should meet to discuss German questions. The only additional feature in the Soviet reply is the statement that, prior to the CfM meeting, the U.S.S.R. would be willing to have representatives of the four powers meet, but only to draw up an agenda. This is not an acceptance of our proposal for the exploratory talks which I have just described.

It is obvious that we must have further clarification of the Soviet position before we can assume that the U.S.S.R. is ready to accept our proposal to discuss the solution of outstanding problems, including Germany, in regard to which the Soviet attitude has created a sense of insecurity in the minds of peace-loving nations.

We have already begun to discuss with the British and the French the next step to be taken. Since the three Western powers drafted the December 22 note together, these Governments would naturally wish to act together in sending any further note to the U.S.S.R.

### **SOVIET NOTE OF DECEMBER 30**

[Released to the press January 2]

Following is an unofficial English translation of the Soviet note of December 30, 1950, which was released by the U.S.S.R. today. The Soviet note is in reply to the joint notes of the United States, United Kingdom, and France dated December 22, 1950:

The Ministry of Foreign Affairs of the Union of Soviet Socialist Republics confirms receipt of

the note of the Government of the United States of America of December 22, which is in answer to a note of the Soviet of November 3 of this year on the question of calling a meeting of the Council of Foreign Ministers and on instruction of the Soviet Government, has the honor to state the following:

1. The Soviet Government in its note of November 3 proposed calling the Council of Foreign Ministers of the U.S., Great Britain, France and the USSR for consideration of the question of fulfillment of the decisions of the Potsdam conference regarding the demilitarization of Germany. Introducing such a proposal the Soviet Government proceeded, thus, from the necessity of holding not simply a meeting of the four ministers for the purpose only of consultations on these or those questions, but also from the necessity of calling the Council of Foreign Ministers for consideration of questions related to the competence of the Council of Ministers as constituted. In this connection the Soviet Government considered it necessary to discuss first of all the question of the demilitarization of Germany as the most acute question for Europe.

Continuing to consider that the question of demilitarization of Germany is the most important in the cause of insuring international peace and security and touches upon the basic interest of the people of Europe and primarily of the peoples who have suffered from Hitlerite aggression, the Soviet Government expressed its agreement to the discussion also of other questions regarding Germany which corresponds to the position of the Soviet Government as set forth in its note of November 3 and to the Prague declaration of eight powers.

The Soviet Government does not object to the proposal for the calling of a preliminary meeting of representatives of the USA, Great Britain, France and the USSR with the purpose that the meeting work out an agenda for the session of the CfM. It goes without saying that in tasks of such a preliminary discussion, consideration of questions which should be considered at the meeting itself of the four foreign ministers will not be included.

As for the place of calling of the preliminary meeting, the Soviet Government proposes that such meeting be called not in New York but in Moscow, Paris, or London in view of the fact that the holding of such meeting in one of the capitals mentioned presents undoubtedly practical conveniences for the majority of its participants.

2. The assertion of the Government of the United States that proposals set forth in the Praha declaration cannot serve as a basis for the favorable solution of the German problem calls forth legitimate doubt since this assertion was made before the proposals mentioned were subjected to consideration of the four powers. As-

sertions also of the American note that these proposals were allegedly rejected by a majority of the German people are at least baseless and do not at all conform to the real situation. In any event, it is not difficult to be convinced that in broad circles of the German population, including the population of West Germany as well, the proposals of the Praha meeting have met with great interest.

As far as remarks contained in the note of the Government of the United States of America with respect to letters of the High Commissioners to the President of the Soviet Control Commission on the question of conducting all German elections which are simply an evasion of the question having great significance for the German people are concerned, this question was the subject of repeated discussion between the Governments of the four powers and the position of the Soviet Union on this question is well known.

3. From published data it is seen that the Governments of the USA, Great Britain and France are creating in Western Germany a regular German army, forming not just some police detachments as has been officially stated by the Ministers of Foreign Affairs of the three Western powers, but whole divisions. It is known also that in recent days representatives of the Governments of the USA, Great Britain and France are carrying on negotiations with the Government of Adenauer concerning the number of German divisions being formed and their armament even with tanks and heavy artillery and concerning the inclusion of these divisions in the so-called "united armed forces." Attempts to camouflage these measures with references to the necessity of strengthening the defense of the USA, Great Britain, France and other states of Europe are clearly untenable since no one has threatened or is threatening these states. All the more untenable are attempts in the note of the Government of the USA to justify plans for remilitarization of Western Germany by references to rearment allegedly taking place in Eastern Germany. Everything said in the note of the Government of the USA on this matter is fabricated from beginning to end and does not conform to reality in the slightest degree. In the note of the Soviet Government of October 19, it was already pointed out that such assertions of the Governments of the three powers were without any foundation.

4. The note of the Government of the USA of December 22, furnishes a basis for considering that it is agreeable to the proposal of the Soviet Government with respect to joint consideration by the four powers of the question of the demilitarization of Germany. The Soviet Government attaches important significance to this since the carrying out of the demilitarization of Germany is not only provided for by the Potsdam agreement between the USA, the USSR, Great Britain and France, but remains the most important condition for securing peace and security in Europe, corre-

sponding also to the national interest of the German people itself.

Furthermore, it is known to the whole world that in recent time it is in fact the Governments of the USA, Great Britain and France which have been taking every kind of measure for the revival of a regular German army and for the restoration of war industry in Western Germany and are already carrying on official negotiations on these questions with the Government of Adenauer, which is an expression of the desire of certain aggressive circles to confront the peoples of Europe with accomplished facts. There is no necessity to prove that such actions by the Governments of the USA, Great Britain and France clearly contravene the obligations undertaken by these governments concerning the necessity for carrying out the demilitarization of Germany and also that they cannot but create serious difficulties in the solution of those questions which must be considered by the Council of Foreign Ministers, the calling of which is being delayed further and further for some reason or other.

Similar notes are being sent by the Soviet Government simultaneously to the Governments of France and Great Britain.

#### **REVIEW OF PAST ALLIED NEGOTIATIONS WITH SOVIET UNION**

This Government has repeatedly made known its willingness to take its part in negotiations for the settlement of outstanding problems with the Soviet Union with the proviso that there exists evidence of a genuine desire and intention to reach agreements. As recently as October 24, the President, in his address to the United Nations General Assembly, reaffirmed the principle that the United States, as one of the members of the United Nations, is prepared, as always, to enter into negotiations for the peaceful settlement of problems as required by the Charter of the United Nations.<sup>3</sup> The insistence which the United States has placed upon the necessity for evidence of a genuine desire to reach agreement, however, is based upon the impressive record of the futility of previous efforts, as well as upon the conviction that an atmosphere of tension and danger is not an auspicious one in which to undertake fragmentary solutions. The whole problem of real negotiations must be kept within this perspective.

#### **Germany**

The record of postwar Allied negotiations with the Soviet Union on the subject of Germany is one of dismal futility, indicating a lack on the part of the Soviet Union of any genuine desire and intention to reach basic agreements or, when agreements are nominally reached, to carry out their terms on any other than a basis of expediency.

<sup>3</sup> BULLETIN of Nov. 6, 1950, p. 719.

The Potsdam Conference of July 17-August 2, 1945, established a Council of Foreign Ministers (CfM) which, for the purpose of considering German questions, consisted of the Foreign Ministers of the United Kingdom, the Soviet Union, France, and the United States. Six regular sessions of this Council have since been held:

1. London—September 11-October 2, 1945
2. Paris—April 25-May 16, and June 15-July 12, 1946
3. New York—November 4-December 12, 1946
4. Moscow—March 10-April 24, 1947
5. London—November 25-December 16, 1947
6. Paris—May 23-June 20, 1949

The last of these sessions—that held at Paris—confirmed a process of fruitless negotiation which had failed to resolve a single one of the major points at issue with the Soviet Union concerning Germany.

The problem of German economic unity may be taken as typical of these issues. Under the terms of the Potsdam Agreement, Germany was to be treated as an economic unit during the period of occupation. From the beginning, however, the Soviets cut their zone off from the rest of Germany, exploited and Sovietized it, and refused even to reveal to the Allied Control Council what they were doing. The issue of economic unity was discussed several times by the Council of Foreign Ministers and caused the breakdown of the fifth meeting of the Council of Foreign Ministers held at London late in 1947 when the Soviets insisted on obtaining reparations from current German production. At the Paris meeting of the Foreign Ministers in May-June 1949, economic unity of all Germany was again discussed, but no substantive agreements were reached. Even the quadripartite talks which were subsequently held with a view to mitigating the effects of the administrative division of Germany in the field of trade proved abortive.

A similar account could be given for such issues as the status of the city of Berlin, reparations, demilitarization, and political unification of Germany. In no case, has there been any evidence that Allied good faith and willingness to negotiate were reciprocated by the Soviets, who demanded complete concession to their point of view, or that the conferences were serving much more purpose than to provide for the Soviets a convenient sounding-board for their propaganda efforts.

#### **Austria**

Turning to Austria, we find that the deputies for the Austrian treaty have met 258 times since 1947. Only five comparatively minor articles are still unagreed, but the deputies have, for almost a year, made no progress because the Soviets have resorted to delaying tactics and have continually introduced new and irrelevant issues.

The CFM, in June 1949, reached an agreement on the most important treaty issues: reparations, boundaries, and the Soviet demands for German assets. In spite of this CFM agreement, the Soviets are unwilling to grant Austria a treaty. For several months, they held up discussions on the flimsy pretext that one article could not be settled until the conclusion of bilateral Austro-Soviet "negotiations" on Austria's alleged debt for relief supplies furnished by the Soviets; these "negotiations" ended with an Austrian note sent in December 1949 which the Soviets have not yet found time to answer. Later, the Soviet deputy made the unsupported and untrue accusation that the Western powers and the Austrian Government are encouraging a revival of nazism and demanded that the already agreed article on nazism be reopened. Then, he indicated that an Austrian treaty is impossible until the United States and Britain demonstrated their willingness to abide by the Italian peace treaty by withdrawing their troops from Trieste, an entirely irrelevant issue.

During 12 meetings, in 1950, the deputies have been able to do nothing except argue about procedure and listen to Soviet denunciations. The few remaining treaty articles could be easily settled if the Soviets would discuss them all, without making new demands and reopening articles already agreed.

#### **United Nations**

The record in the United Nations of repeated efforts, during the past 5 years, to obtain Soviet cooperation and to negotiate with them on questions in which they are interested fully justifies the doubts now entertained as to the prospects of prompt and satisfactory settlement of outstanding differences through yet another forum. In general, they have sought to employ three types of devices of noncooperation and obstruction: (1) the walk-out; (2) the refusal to join international bodies; and (3) the veto and other parliamentary tactics in organs of which they are members.

The first demonstration of the tactic of the "walk-out" and of refusing to participate in consideration of matters affecting them took place in early 1946 when Soviet Delegate Gromyko walked out of the Security Council meetings dealing with the complaint of Iran that the U.S.S.R. refused to remove its troops as required by treaty and was engaging in subversive activities designed to separate Azerbaijan from the rest of Iran.

This use of the arbitrary boycott to seek to paralyze the work of United Nations bodies culminated, in the spring of this year, over the question of Chinese representation when the Soviet delegations, as well as those of the captive countries of Europe, walked out of more than 40 different United Nations organs, agencies, and conferences.

Of the nearly a dozen specialized agencies (such as the FAO, WHO, etc.), the Soviet Union has refused to join all but a single one, despite repeated invitations of the rest of the international community to cooperate through these essential bodies in working out the solutions of the world's economic and social problems. Not a single ruble has been contributed to their work or to the various funds set up by the United Nations for the care of refugees, for technical assistance, or for similar humanitarian efforts.

As to the third device, it is hardly necessary to recall the 46 times the U.S.S.R. has cast a veto in the Security Council to forestall decisions on almost all major questions, for the admission of new members to the pacific settlement of disputes, to the appointment of the Secretary-General, to a settlement of the Korean question.

In the particularly important field of atomic energy and disarmament, the futility of previous efforts to negotiate with the U.S.S.R. is strikingly demonstrated.

#### **Conclusion**

Despite this past record of discouragement and futility in trying to reach solutions of international problems through peaceful processes of negotiation, the United States is determined to do everything it can to achieve the aims of removing the causes underlying present tensions.

Since the end of the war, Soviet policies have resulted in the creation of tensions in various parts of the world which, if continued, afford little assurance that there exists now a genuine desire on the part of the Soviet Government to come to real agreements which will remove or alleviate threats to world security and peace. Nevertheless, the United States Government, together with the British and French Governments, is proposing to enter into discussions with the Soviet Government for the purpose of determining whether there exists now a genuine desire on the part of the Soviet Government to eliminate the causes underlying present international tensions and whether an acceptable basis can be found for holding a meeting of the Foreign Ministers of the four countries.

#### **U.S.-U.S.S.R. Negotiations on Lend-Lease To Resume**

[Released to the press January 5]

U.S.-U.S.S.R. negotiations for a settlement of the Soviet wartime lend-lease account are to be resumed in Washington on January 15, 1951, with representatives of the Soviet Government nominated for this purpose. These discussions will deal with lend-lease matters only. The question

of a settlement of Soviet obligations under the U.S.-U.S.S.R. Master Lend-Lease Agreement of June 11, 1942, has been a subject of discussion between the two Governments since 1945. Formal settlement negotiations were first undertaken in April 1947.

The forthcoming talks result from a United States note of June 15, 1950, to the Soviet Government suggesting the resumption of negotiations in a further effort to reach a long-overdue settlement of this lend-lease account.

The main problems to be dealt with are:

(1) The amount, and terms of payment, for the reimbursable portion of wartime lend-lease aid from the United States to the Soviet Union. This reimbursable portion does not include articles lost, destroyed, or consumed in the common war effort. It thus comprises only a small part

of the total of approximately 11 billion dollars worth of lend-lease aid from the United States to the Soviet Union.

(2) The disposition of naval and merchant vessels loaned to the U.S.S.R. which are subject to return to the United States on request. After the Soviet authorities failed for 2 years to comply with requests for return of certain vessels, the United States, on October 7, 1948, formally demanded the return of 3 icebreakers, 28 frigates, and 186 units of other types, mainly small craft. To date, the U.S.S.R. has returned the frigates and one icebreaker but has failed to comply with the request for the other vessels.

(3) Compensation to United States firms for the use of their patented oil refinery processes supplied to the U.S.S.R. under lend-lease. To date, the U.S.S.R. has reached agreement with only one of the seven interested United States firms.

## Basic Policy Issues In Economic Development

by Willard L. Thorp

Assistant Secretary for Economic Affairs<sup>1</sup>

Assistance to the process of economic development of other countries is nothing new to the United States. Foreign missionaries from American churches taught much more than religious dogma. Business men carried capital and technical skill abroad. Engineers created monuments to modern technology. Foundations translated fortunes accumulated in the United States into libraries, universities, and public health centers in other countries.

So far as direct action by the Government is concerned, we need only note that the Export-Import Bank of Washington was established in 1934, that many developmental projects in Latin America during the war were the antecedents of the present Institute for Inter-American Affairs, that under the so-called Smith-Mundt Act of 1948 for the interchange of persons, knowledge, and technical services, much help in economic development has been given, and that the appropriations for the Economic Cooperation Administration each year have included funds for developmental use in the dependent overseas territories of the cooperating European countries. For many years, and on a limited scale, various departments of the Government, notably the Department of Agriculture and the Public Health Service, have been providing foreign technical assistance.

These scattered and sporadic government programs were given a new status when, in 1950, Congress passed the Act for International Development. This act contains the following policy statement:

It is declared to be the policy of the United States to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power.

### Policy Objective

Thus, assistance to the economic development of underdeveloped countries is no longer a matter of haphazard and limited incident but is now an established policy objective of the United States Government.

United States foreign policy seeks a number of different objectives. It looks forward to a world of free and independent nations, with an international structure bringing order into international relationships. It seeks a peaceful world. It seeks a world of increasing personal freedom and respect for human dignity. It seeks a more productive and more prosperous world.

These broad objectives are expressed in many policies and programs, varying all the way from

<sup>1</sup> Address made before the American Economic Association at Chicago, Ill., on Dec. 29 and released to the press on the same date.

action against an aggressor nation to concern for displaced persons, from negotiating commercial treaties to the development of the charter of human rights, from arranging for the international exchange of students and professors to the international allocation of broadcasting frequencies.

The basic objectives are interdependent and consistent, but the pursuit of them along so many paths inevitably requires choices among policies or programs. For example, the preservation of free nations may conflict directly with the desire for peace. The pursuit of peace, under today's conditions, may impinge sharply upon individual freedom and physical well-being. Personal freedom may lead to the uneconomic use of resources or instability of business activity. The pursuit of prosperity may make more difficult the defense measures necessary for peace or may undermine the personal freedom of others. And, to the extent that any policy or program is costly, there is the necessary and difficult choice imposed by the fact that government revenues, economic resources, and manpower are, by no means, unlimited.

The elevation of assistance in economic development to a new position, both in terms of policy and program, inevitably raises a new series of choices. Some are internal to the policies and programs for economic development itself, and some represent choices or conflicts with other objectives. Of course, as circumstances change and one objective or another requires emphasis, earlier answers may need to be modified. I can only suggest a few of the policy issues which are troublesome today.

#### **Imperialist Dilemma**

First is the so-called imperialist dilemma. Today, in a number of countries, there is a strong undercurrent of nationalism which places in direct conflict the feeling of antagonism toward things which are foreign and the desire for the benefits of a cooperative effort with the outside world. In the first instance, this dilemma is one for the receiving rather than the assisting country. However, it may also raise the problem for the assisting country. Should it assist unless it can play an active rather than a passive role?

Oftentimes, an economically underdeveloped country has an underdeveloped government. It may lack a civil service system for selecting and training personnel; it may lack an effective budgetary control; it may lack a sound fiscal policy; and its governmental structure may lack that clearly assigned responsibility among its parts, so necessary to take action effectively. When it is without an efficient and effective government, the underdeveloped country is under a serious handicap in carrying out its own plans for economic development.

The dilemma is simply this: that, if the United States, through its representatives, imposes its judgments upon other governments and economies, we will be charged with being "political commissioners for economic imperialism." Even if we establish severe conditions for the receipt of aid to insure the effectiveness of some program, we may be accused of "invading the sovereignty of independent nations." On the other hand, if we do not take an active role, the developmental effort may be dissipated in inefficiency and confusion, and the net result may well be very slight.

This dilemma has proved to be much more troublesome as a matter of public relations than as a matter of any real threat to sovereignty. American policy is clear that it seeks to build strong, independent nations. So long as this objective can be clearly declared and maintained, the so-called interferences arising from the process of assisting in the economic development of other countries can hardly be called imperialism, except by deliberate liars, particularly since our assistance is provided only on request.

However, decent and honest as we may believe ourselves to be, the dilemma still remains for us to resolve, and we have dealt with it in various ways. In Greece, we assumed very considerable responsibility. In the Marshall Plan countries, we concerned ourselves largely with the use to which our aid was put and the support of objectives such as the liberalization of trade, already subscribed to by the Organization of European Economic Cooperation before any American funds were appropriated. In the case of the Philippines, we gave them their full independence along with substantial monetary assistance. However, since Philippine independence, the fiscal situation in the Islands has deteriorated dangerously, and we are now offering further support, providing a series of specific steps are taken to straighten out the situation.

One important aspect of the problem arises from the proposition that, as one accepts greater participation, one's responsibility also increases. If we are to take a positive role in economic development, we need to know much more than we do about the nature and character of social and economic change. Economists, for example, have been preoccupied with the current American economic scene, except as they have been exposed to economic history, but even that was likely to be devoted to tracing the antecedents of our times, particularly by examining the feudal system.

Our body of economic theory is related to the preconceptions and mores of Western civilization. It is worth remembering that Karl Marx built his system upon an interpretation of historical development while classical economists focused their cogitations much more upon the theoretical operations of economic equilibrium.

We are woefully ignorant of contemporary social and economic institutions in most other coun-

tries. It is clear that these other societies and cultures cannot and should not be made over in the American image, but our accumulated social science knowledge has all too little to tell us about the possibilities and limitations of economic development in the underdeveloped countries. If we hope to give effective developmental aid to other countries, we must be prepared to play an active and responsible part. That means that we need a rapid advance in our understanding of and knowledge about the whole complex of problems involved in social and economic change, with particular reference to the institutions presently existing in the underdeveloped areas. This is a practical job for the social scientists.

#### **Timing Dilemma**

One of the most difficult set of choices in economic development may be called the timing dilemma. Some less sophisticated individuals have thought of economic development almost exclusively in terms of capital goods, asserting that the problem could be solved if the underdeveloped countries could only get machinery.

But economic development is no simple matter, and there is no magic formula for raising standards of living rapidly. Usually, major social changes are required. Education and training are a basic necessity. And increased industrial production requires many supporting economic activities, such as transportation and power. Obviously, economic development is a slow process with the possibilities ranging from zero to a small percentage advance each year.

However, there is need for haste. The cumulative process of development may never achieve real vigor unless it quickly arouses hope and captures the imagination and allegiance of peoples. The essential drive must come from within the country itself. Furthermore, political instability and civil disorder are likely to make improvement impossible unless there is evidence of improvement. The improvement called for is an expansion in per capita consumption, itself a difficult achievement in countries with rapidly increasing populations. But, for the success of the enterprise, it is important to make immediate progress.

It is inevitable, therefore, that consumption and capital formation will compete with each other, with consumption having much the stronger drive behind it. There is an inevitable and sometimes subconscious pressure to give special emphasis to programs with immediate results. The local governments are eager to redeem their campaign promises, if there was any campaign, and, in any event, to assure their survival in power by pointing to a record of achievement. Even those abroad giving assistance, be they public or private, like to have definite results to report to the sources of their funds. It is a matter of fact that the most urgent requests from some of the underdeveloped

countries have been for credit to buy consumers goods, sometimes because of natural catastrophes such as earthquakes or famine, but often on grounds of immediate political necessity.

In countries where productivity is already extremely low, domestic capital formation is necessarily limited. This situation may even lead to a condition where economic development can best be furthered by providing foreign consumers goods, which then can be translated into local currencies and used for the local costs of developmental enterprises which would not, otherwise, be met without depressing the already substandard of living.

The fact remains that economic development is inherently a slow process. It may be necessary to break through the dead hand of custom, made particularly difficult because fixed ways and attitudes often have a moral or religious basis. Luckily, there is a good deal of evidence that economic development can be an accelerating process. It is slow, at first, because the margin of saving for capital formation is small, because the number of people able to act as catalysts are few, and because the idea of change must become acceptable before people become teachable. Both capital formation and teachability tend to pick up speed as production grows, education spreads, and horizons widen.

Much can be done with promises about the future, as the Communists have demonstrated. But, sooner or later, there must either be a police state to deal with complaints or there must be a demonstration of progress. Programs must be developed not merely as sound economic blueprints but with the needs and nature of the human beings involved clearly in mind. If the people of a country are starving, it is a hard choice for its rulers between using its credit to buy rice or wheat or to develop irrigation systems and build fertilizer plants. Since those who provide the credit also have an option to provide it for one purpose or another, they face the same problem.

#### **Private Enterprise Dilemma**

Next, may I cite the private-enterprise dilemma. We credit much of our own tremendous industrial development to the releasing of individual energies and imaginations through the institution of private enterprise. It follows that we cannot help feeling that this great motive force would accomplish wonders in the underdeveloped countries if fostered and aided.

On the other hand, underdeveloped countries are wary of private enterprise. In the past, foreign private enterprises have not always been locally popular, and, in many countries, a form of pre-industrial local private enterprise has led to the growth of divergent wealthy and poor classes such as Marx mistakenly held to be inevitable for all capitalist societies. Hence, government policies, regulations, and attitudes may inhibit not

only foreign-financed but even domestic private enterprise.

American policy has strongly supported the notion that the channels should be cleared for the flow of private capital abroad as a means of providing American capital, technical skill, and management experience to other countries. To that end, sustained efforts have been made to negotiate commercial treaties which would give assurances of fair treatment to foreign investors. However, treaties or no treaties, private capital seems to be loath to go abroad in these days of political and economic insecurity unless its prospective rewards are so great as to make these risks worth taking. The necessity of a high rate of return appears to rule out all but a few fields of endeavor (certainly eliminating the basic public service developments such as transportation, power, and irrigation) or to arouse such cries of foreign exploitation as to lead to further regulation by foreign governments. Some have suggested the use, as an incentive, of reduced taxation in the United States of foreign earnings, but there are many other interests (besides educational and charitable institutions) which would like similar encouragement. At any rate, the fact is that, at present, private enterprise is not doing the job. As a result, governments are playing a large role, and one American principle comes in conflict with another.

As to private enterprise in general, it is, of course, true that many countries, even our own, today take the form of mixed economies. Private enterprise is perhaps most valuable in the pioneering activities where experiment and imagination are attracted by large potential rewards. In an underdeveloped country, the problem is largely one of utilizing the experience of other countries. Thus Russia, between the two wars, was able to move ahead rapidly because she started far behind the established levels of the more advanced countries and could take over, without the costs of trial and error, the advanced technology of the Western world. Many individuals in other countries would argue that private enterprise is not as essential in a country which is far behind the procession. They say that, since the problem is one of how best to use scarce skills, capital, and resources, a central planning and control agency, i. e., government, is the minimum requirement, and government operation itself may be the most effective device to get things done.

The attitude in other countries toward private enterprise has changed noticeably during the last 3 years. There is much less confidence in government operation as a panacea for all economic ills and much more recognition of the part which private enterprise can play in an expanding economy.

Not merely for them but also for us the private enterprise dilemma raises a host of difficult specific problems. Can we expect private capital to flow abroad in larger volume? (The Marxist would answer, of course, that it will and must do so.)

What special encouragement, if any, should be given by the government? What should our attitude be toward an underdeveloped country which employs government screening of foreign investment and government direction of private investment? How about government-to-government loans? How about the development of an economic plan for a country? What can be done to encourage private savings and investment in forms other than jewelry and real estate? These are not hypothetical questions. They are inevitable in a world of varying economic and political structures.

#### Trade Policy Dilemma

Next, let us consider the trade-policy dilemma. Economists have long had a clear-cut doctrine that trade barriers interfere with the most efficient use of resources, physical and human. For 17 years, American foreign policy has been directed toward the liberalization of trade although, I must confess, that consistency has not been perfectly achieved in this field.

Many of the underdeveloped countries have a great desire for industrialization. They are eager to reduce their dependence on one or a few major farm or mine products. They see the so-called industrial countries as those with the highest standards of living. They believe that economic well-being is highly and positively correlated with the proportion of the population engaged in industry. Many of them are particularly eager to develop heavy industry even at high cost, because of the degree of independence which it gives them, the economic counterpart of political nationalism. It is interesting to note that, even in the more sophisticated countries of Western Europe, the efforts of the Economic Cooperation Administration to program, in terms of specialization of labor, within the area of the cooperating countries, were considerably defeated by the unwillingness of each country to increase its dependence upon other countries, even if it were a mutual interdependence.

This urge for the development of industry leads to a desire for high tariffs. They are eager to build up industries that will compete with, not complement, those already existing in the developed areas. They are interested in growing more food and fibres only if, in fact, they are now importing them. So the "infant industry" tariff defense once more appears in force.

When 56 nations met at Habana 3 years ago to endeavor to find a common basis for an international charter in the trade field, one of the most vigorous and sustained controversies among the representatives revolved around this very problem. The net result was that, while the basic policy agreement on which the charter was predicated was directed toward the reduction of trade barriers, there were complicated escape provisions outlining methods by which underdeveloped coun-

tries might, for purposes of development, obtain release from commitments assumed in trade agreements and, under the charter itself, with respect to commercial policy. Some such compromise was the only basis upon which agreement could be reached.

Parenthetically, it may be interesting to note the interesting twist which the dilemma takes when American management and capital establishes an infant industry in a foreign country behind a protective tariff. On several occasions, the United States Government has been under considerable pressure from American export producers to obtain lower tariffs into a country on a given product and from other American interests manufacturing within the foreign country not to expose them to the devastating competition of the continentals. The Americans operating abroad will argue that their costs are higher for a number of reasons, such as the small scale of their operation, higher per unit labor costs, and the fact that usually they produce only an incomplete line, all of which conditions they claim will be corrected over time although I have yet to hear of a case where that time has been reached. Furthermore, they have painfully developed a local market under a given set of conditions including the tariff, and now it should not be available to others who have devoted no effort to its creation. Finally, they say, how can economic development ever take place if new enterprises in the underdeveloped areas must compete with the efficiency of modern American industry? (The next caller may outline the problems which he faces in the United States as the result of cheap labor products being imported from abroad.)

In the field of trade policy, the underdeveloped countries are extremely suspicious of the policies of the industrial countries. Some, apparently, believe that the basic purpose of present desires to liberalize trade is to obtain foreign markets for manufactured goods and that the advanced countries are endeavoring to deny to underdeveloped nations freedom to use the very devices by which the industrial powers have established their pre-eminence. The argument parallels that of the Marxist, that capitalist countries must export to live and that heavy industry is the basis for sound economic development. One must add that many American businessmen fear the industrialization of other countries, either as a threat to their foreign markets or as potential invaders of the American market itself.

It has long been apparent that commercial policy problems cannot be resolved simply by reference to the principle of comparative advantage. They arouse conflicting interests which confuse the determination of the national interest, and they involve national objectives beyond those which can be calculated from supply and demand curves. Plans for economic development will take quite different shapes according to whether they

are made within a pattern of expanding international trade or on the basis of economic nationalism. It is somewhat difficult to see the basis on which nations can expect to receive international assistance in order that they may achieve economic nationalism. From the economic point of view, assistance can best be justified on the assumption of expanding world trade, with its resulting mutual benefits. However, even if the broad basis for action were generally accepted, there would still remain innumerable specific cases, both at home and abroad, where the notion of reducing trade barriers and expanding world trade would be vigorously challenged.

#### **Allocation of Resources Dilemma**

At this moment, we are faced with a new and disheartening series of choices, the allocation-of-resources dilemma. Any previous set of priorities among government programs must now be revised in the light of the requirements of the national emergency. To be sure, economic development assistance on the part of the Government always has been a charge against our national budget, but the requirements, in terms of goods and services, have been against an economy not operating under pressure or at full capacity. It has not been tested in a period rife with inflationary forces.

Today, we must give first priority to building our defenses. The combination of reiterated Kremlin-Communist doctrine and the continued high rate of expenditure for increasing Communist military strength have presented for many months an increasing threat to our security. The recent events in Korea have demonstrated a callous and confident willingness to enter upon aggression and even to defend it loudly and lengthily in the halls of the United Nations. We have no choice but to endeavor to prevent a world-wide conflagration by building such strength as to make the calculated risk to the aggressor one which no group in power anywhere would dare to chance.

The process of building strength means that the United States will soon be short of government revenue, technicians, investment capital, capital goods, spare parts, and all the exportable ingredients of economic development. Other nations concerned with preserving the free world will also be devoting increased efforts to rearmament and will develop similar shortages.

As a partial offset, is the fact that some of the underdeveloped areas are important producers of raw materials, and one of the immediate results of the expanded military programs has been to increase sharply the prices of their exports. They may well find themselves with rapidly accumulating supplies of dollars and other foreign currencies but with limited opportunities to spend them for technical assistance or for capital goods. Policies with respect to priorities can, of course, limit

economic development, either by restricting dollar aid or export availabilities, or both.

Upon careful examination, it is clear that the choice is, by no means, a simple one between two clear-cut alternatives. Even those who would insist that all our attention should be focussed upon building up our own military strength would agree that economic development projects in other countries, which would yield additional quantities of strategic materials in short supply, should be rapidly prosecuted. But there are still other considerations. Building strength is not solely a matter of military power, nor are all Communist successes the result of military aggression. Part of the process of reinforcing the free world must be to create situations of political and economic strength in areas whose weakness may otherwise invite aggression, direct or indirect. Through concrete evidence at the grass roots of constructive American interest in their welfare and through the hope created by forward movement, resistance can be created to the coming to power of Communists or seriously hostile governments. In the present world contest, every country is important.

Even though our blue chips may be stacked on military preparedness for ourselves and friendly countries, it may still be the part of wisdom to place some of our white chips on economic development. If we accept the idea that assistance for economic development has a valuable place in our policies, even during the national emergency, there remain the difficult problems of how much and where. It will be a period of cut-backs in many directions, and no program can operate on a "business as usual" basis. However, we must build for the future as well as for the present, and we can hope that, in the not too distant future, the tremendous expenditures for armaments can be reduced, and we can then devote a substantial part of that energy and those resources to economic development.

#### Digression of Objectives by National Emergency

The five dilemmas which have been outlined are, by no means, a complete listing of the policy issues which face those responsible for carrying forward in the field of economic assistance to underdeveloped countries. They are illustrative of the variety and complexity of the choices which must be made. Perhaps, most of all, they suggest the difficulty in isolating any particular program and evaluating it except against a background of the totality of objectives in foreign policy.

Today, we must deal with a national emergency. This is the paramount requirement. But our long-run objectives of world peace and prosperity are not changed one iota by this necessary digression. Toward our long-run purpose, there can be no question of the importance of American aid as our contribution to "the efforts of the peoples of

economically underdeveloped areas to develop their resources and improve their working and living conditions." To be sure, there are problems and policy issues. There is nothing unusual about this in the field of economic foreign relations. What is important is to regard these policy and program conflicts not as obstacles to action but as problems which must be resolved again and again. The wisdom of the solutions will depend, in large part, upon the breadth of knowledge and the depth of understanding of the social and economic processes involved. To these basic requirements, it is my conviction that the economists of this country can make an ever-increasing contribution.

#### Graduate Study in Latin America

Fellowships for United States graduate students to study or do research in certain American Republics will again be available for the academic year 1951-52, the Department of State announced on December 18.

The fellowships will be made under terms of the Convention for the Promotion of Inter-American Cultural Relations, which provides for an annual exchange of students between the United States and each of the signatory republics. The participating countries, in addition to the United States, are as follows: Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Venezuela.

The United States Government provides transportation for American students to and from the receiving country, and the host country pays tuition and a monthly maintenance allowance. In some cases, a small allowance is also allotted for books and incidental expenses. It is sometimes necessary, however, for the student to supplement his maintenance allowance.

Students desiring to apply should have the following general qualifications: United States citizenship, a bachelor's degree or its equivalent, the initiation or completion of some graduate study, and a satisfactory knowledge of the language of the country in which study or research is to be undertaken. All other considerations being equal, students under 35 years of age and veterans will be given preference.

Full information regarding these fellowships and application forms may be obtained from the Division of International Educational Relations, United States Office of Education, Federal Security Agency, Washington 25, D. C. The completed forms must be returned to the Office of Education no later than January 15, 1951. The Advisory Committee on Exchange of Students will nominate five candidates for the panel to be submitted to each of the participating governments. Final selection of the two students will be made by the governments of the respective countries.

## **German Federal Republic's Monthly Economic Review<sup>1</sup>**

Economy of the German Federal Republic continued to expand during October and November, but pressure of shortages is braking the rate of increase. At a moment when production should normally leap to answer demand, the critical dearth of coal and electricity clamped down on what had been phenomenal economic activity. Earlier in the fall months the Federal Republic had begun to feel the effects of shortages in certain imported raw materials and in specialized workers. The unhealthy balance-of-payments position of the preceding 2 months was still in danger, and remedial efforts taken in October were still too recent to allow an exact appraisal of their effects.

But there were generally favorable developments. Foreign trade reached record figures in October in exports (\$214,000,000) as well as imports (\$312,000,000), and export prospects continue excellent. The number of unemployed (1,230,200) at the end of October was at its lowest point since April 1949. The increase in unemployment, which appeared in November, appears to be due solely to seasonal factors.

While labor has benefited from recent wage increases, conflicting factors have brought about increasing agitation by labor during the past 2 months for new wage hikes.

### **Industry**

In October, the Federal index of industrial production (excluding building, stimulants, and food processing) rose another 3 points to the high point of 128 of the 1936 production level. Despite this record, bottlenecks in raw materials including coal, some nonferrous metals, and the tightening steel situation, made the increase considerably more moderate than in the previous months. Output of finished products in the investment goods and consumer goods fields continued to climb, with increases in vehicle, electrical equipment, and metal goods production. Chemical production tended to drop.

<sup>1</sup> Reprinted from the January issue of the *Information Bulletin*; prepared by the Analytical Reports Branch of the Program Review Division of the Office of Economic Affairs, Hicoc.

The Federal Republic and occupation authorities as well as private industry and the individual, took measures to meet a worsening coal situation, as supplies became more critical in the face of winter weather and expanding industry. First priority for coal delivery is reserved for export, with domestic uses at the bottom of the list, and heavy and light industry falling respectively in between. Coal stocks in the consumer goods industries are in most cases extremely low for this time of year and some industries contemplated an industrial holiday between Christmas and the New Year to conserve their stocks.

Coal production in November rose from 370,000 metric tons per day in the first week to 391,000 tons daily for the week ending November 26, including 1 day when production touched 400,000 tons. In addition, a total of 827,000 tons was produced in what amounted to 2.16 extra normal days, on holidays and Sundays. Incentives for increased output appeared in a new wage agreement effective November 1, which raised wages for the miners 10 percent, and provided a bonus of 3 percent for full attendance in all shifts during the month. A further provision was made for a 50-75 percent increase in wages for extra shifts, of which it is contemplated there will be six during each quarter for the fourth quarter 1950 and first quarter 1951. To attract new labor to the mines, the Federal Republic has announced a program amounting to DM 110,000,000 for miners' housing and has requested release of DM 45,000,000 counterpart funds to support this program.

Crude steel production for November was 1,110,703 metric tons, approximately 24,000 tons under the previous month's record output. Preliminary estimates for pig iron production for November were about 52,000 metric tons under the previous month and totaled 874,990 tons. Less fuel in December will result in lower production figures.

New electric power generating capacity of about 100 megawatts, financed mainly by ECA funds, was completed during October. The coal shortage, however, prevented the power industry from utilizing all available capacity and obliged the Federal Ministry of Economics to issue power allocations for consumption in each state. Fortunately, heavy rainfalls resulted in 60,000,000 extra kilowatt-hours supplementing the normal

power production, and thereby avoiding heavy curtailment except in Bavaria where large power consumption, particularly in the chemical industry, had to be reduced.

The coal shortage hit the gas industry, too; grid gas supply forced restrictions on large industrial consumers. In a number of municipal gas works, situated far from the coal source, coal stocks were extremely low. This was aggravated by short deliveries of Saar gas coal, to be supplied on a contract basis. No real improvement is to be expected for the coming months. Consumption of gas in October 1950, incidentally, was about 27 percent higher than in 1949.

German crude oil production showed an increase of 5 percent over last month and 30 percent compared with the same period last year. Total refinery output, as well as the production of gasoline and diesel oil, remained unchanged, while the civil consumption of gasoline increased 10 percent over the consumption figures of last month.

#### INDEX OF INDUSTRIAL PRODUCTION

	(1936=100)	1950	
		Aug.	Sept.
TOTAL ALL INDUSTRIES			
(incl. electricity and gas <sup>1</sup> ) . . . . .	115	125	128
(excl. electricity and gas <sup>1</sup> ) . . . . .	113	123	126
Investment goods (total) . . . . .	113	124	128
Raw materials . . . . .	98	103	104
Finished products . . . . .	123	138	143
General production goods			
(incl. electricity and gas) . . . . .	130	137	137
(excl. electricity and gas) . . . . .	124	131	129
Consumer goods . . . . .	101	112	119

<sup>1</sup> Excluding food processing, stimulants and building.

r = Revised.

#### PRODUCTION OF MAJOR COMMODITIES

COMMODITY	Unit of Measure <sup>1</sup>	Aug. *	Sept. *	Oct. *
Hard coal (gross mined) . . . . .	thous. t	9,445	9,216	9,499
Crude petroleum . . . . .	t	98,800	95,205	100,350
Cement . . . . .	t	1,134,202	1,147,216	1,169,862
Bricks (total) . . . . .	1,000	483,761	463,785	448,283
Pig iron . . . . .	t	858,021	875,912	918,895
Steel ingots . . . . .	t	1,050,173	1,050,176	1,104,741
Rolled steel finished products . . . . .	t	751,200	761,841	781,449
Farm tractors (total) <sup>2</sup> . . . . .	pieces	8,985	9,486	9,095
Typewriters <sup>3</sup> . . . . .	pieces	17,910	19,901	21,600
Passenger cars (incl. chassis) . . . . .	pieces	20,465	21,026	23,219
Cameras (total) . . . . .	pieces	179,148	185,287	176,445
Sulphuric acid (incl. oleum) . . . . .	t-SO <sub>3</sub>	102,318	102,740	109,081
Calcium carbide . . . . .	t	59,333	60,691	47,337
Soap (total) . . . . .	t	16,122	17,755	14,657
Newsprint . . . . .	t	15,026	13,987	14,507
Auto and truck tires . . . . .	pieces	285,559	319,250	328,155
Shoes (total) . . . . .	1,000 pairs	6,801	8,379	9,169

<sup>1</sup> All tons are metric tons.

<sup>2</sup> Excluding accessories, parts, and spare parts.

<sup>3</sup> Standard, long-carriage, and portable typewriters.

r = Revised.

p = Preliminary.

#### Transportation and Communication

November traffic demands on the railways, although slightly below those of October, nonetheless exceeded 60,000 cars per working day. By continuing the emergency measures of October, these demands were met in full, including additional commitments for flour shipments to Yugoslavia (scheduled at 10,000 tons per week) and increased supply traffic to Berlin.

Wage and salary hikes, plus added supply costs brought the Bundesbahn management face to face with a new increase in operating costs. A temporary agreement, retroactive to October 1, 1950, and expiring January 31, 1951, has been reached between the Bundesbahn management face to face with a new increase in operating costs. A temporary agreement, retroactive to October 1, 1950, and expiring January 31, 1951, has been reached between the Bundesbahn management and the railway unions. Salaries and pensions were upped by 6 percent and wages by an average of 8 percent. This represents an estimated DM 175,000,000 annual rise in costs. In addition, the Bundesbahn is faced with an increase in the price of coal and other supplies which will add DM 120,000,000 to yearly operating costs. It is contemplated, however, that this increase will be met by a general increase of freight tariffs so that the seven-point Bundesbahn program initiated by the Coverdale & Colpitts report will not be affected.

During November, telephone service between Norway, Sweden, Denmark, and Argentina was opened via the direct radio telephone circuit Hamburg-Buenos Aires. This expanded use of German facilities for international transit telecommunications services was designed to increase the foreign currency earnings of the Bundespost. Transit telephone services have earned approximately \$130,000 monthly. Of these amounts, 69 percent accrue to the Federal Republic under quadripartite agreements now in effect.

A direct telegraph circuit has been installed between Frankfurt/Main and London to handle telegrams between Germany and the extra-European countries now routed via the United Kingdom (e.g., Africa, the Near East). Foreign currency earned will accrue to the Bank Deutscher Laender as export credits.

#### Labor

Seasonal depression of employment in the outdoor occupations caused a greater rise in unemployment in November than had been anticipated in view of the extraordinarily favorable situation in October. The number of registered unemployed rose by 86,000 during November to a total of 1,316,000. The November 1949 increase was 67,000. Assuming that this summer's monthly average increase in the labor force (60,000) continues, employment of wage and salary earners dropped by only 25,000 to about 14,375,000.

While it seems certain now that the 1950 peak of general employment was reached, as in 1949, at the end of October, employment in manufacturing and trade may not begin to decline seasonally until shortly before Christmas. Industrial and residential building is still at a high level in spite of a very rainy month. Shortages of raw materials, half-fabricates and coal increased the number of factory workers on short time and discouraged many manufacturers from hiring additional labor

as orders in hand would warrant. In only a few cases have shortages caused dismissal of employees, and these only in small manufacturing establishments outside the main industrial centers.

Except for the wage increase for railroad workers and for hard coal miners, there was little movement in wage rates. Threats of industrial unrest, however, sounded from headquarters of the Trade Union Federation at Duesseldorf. In a referendum of employees in the Ruhr iron and steel industries conducted on November 29-30, 95.8 percent of the 201,512 participants expressed their readiness to strike, if necessary, to secure equal voice in the economic affairs of management ("economic co-determination"). The decision to hold this poll came on the heels of sharp attacks leveled by top industry and employers' associations against union demands for "co-determination." On December 1, the Mine Workers Union Convention unanimously called for a similar referendum in the mining industry at the earliest possible date. Federal legislation on codetermination is still pending in Parliament.

### Prices

The index of basic material prices rose 1 point (0.5 percent) in October to a new postwar record of 220 percent of the 1938 level. The increase was the smallest since the outbreak of the Korean war, reflecting a balance between opposing tendencies—a 3-point decline in the agricultural component of the index, and a 4-point rise in the industrial component.

The agricultural component of the index declined 3 points (1.7 percent) to 177 percent of the 1938 level—the first monthly decline since May 1950—due mainly to price decreases for live cattle, sheep, and hogs. The agricultural component of the index was 6 percent less than a year ago but 5 percent higher than last June.

The industrial component of the index rose 4 points (1.6 percent) to a postwar record of 249 percent of the 1938 level—21 percent higher than a year ago. The October rise was due mainly to price increases for aluminum, calf skins, cotton, flax, lead, linen yarn, raw rubber, roofing tiles, sawn wood, and zinc.

### BASIC MATERIALS PRICE INDEX

1938=100

	Aug.	Sept.	Oct.*
Food . . . . .	176	180	177
Industry . . . . .	227	245	249
Total . . . . .	207	219	220

p= Preliminary.

The consumer price index which had been a postwar low in August and September rose 1 point in October, reaching 149 percent of the 1938 level. Fruits and vegetables rose 3 percent, while food (excluding fruits and vegetables) and stimulants remained unchanged. Clothing rose 2 percent and household goods 1 percent. All

other groups increased slightly (but less than half of one percent).

The largest particular October increases were fresh vegetables (12 percent), shoes (4 percent), shoe soles (3 percent), rubber goods (3 percent) and woolen goods (2 to 3 percent). The increase in fresh vegetable prices is seasonal, while that for shoes, soles, woolens, and rubber goods reflects the recent sharp rises in world raw material prices.

### CONSUMER PRICE INDEX—BIZONAL AREA<sup>1</sup>

1938=100

(Wage/salary earner's family of four, with one child under 14)

	Sept.	Oct.	Nov.
Food . . . . .	149	150	152
Stimulants . . . . .	275	275	275
Clothing . . . . .	184	187	189
Rent . . . . .	103	103	103
Heat and Light . . . . .	118	118	119
Cleaning and Hygiene . . . . .	147	148	148
Education and Entertainment . . . . .	140	141	142
Household goods . . . . .	160	161	163
Traveling . . . . .	133	133	133
Total . . . . .	148	149	150

<sup>1</sup> The Consumer Price Index is not yet available on a trizonal basis.

### Foreign Trade

West German exports and imports reached post-war record monthly levels in October 1950. Total exports of \$214,200,000 were 29 percent above the previous month's figure of \$165,700,000 and 20.7 percent above the previous postwar monthly high of \$177,600,000 in August 1950. Total imports of \$312,200,000 were 30.6 percent higher than the figure of \$239,100,000 recorded in September 1950, and 13.2 percent above the previous postwar monthly high of \$275,700,000 in December 1949. The October 1950 total trade deficit was \$98,000,000.

Exports to the United States (\$16,200,000) and to Latin America (\$21,800,000) rose sharply in October to reach postwar monthly record figures. The same was true for exports to the participating countries (\$143,700,000). However, within the OEEC group, the record rise in exports was mostly accounted for by shipments to the non-sterling participating countries. October exports to the participating sterling countries (\$11,300,000) were still below the postwar peak of \$13,200,000 reached in July 1950. October exports to Eastern Europe were \$10,600,000 and those to the non-participating sterling area were \$8,300,000 (a new postwar high). October imports from the United States (\$42,700,000) and from the non-OEEC sterling area (\$16,300,000) increased considerably over figures for September 1950. Deliveries from Latin America (\$18,500,000) and Eastern Europe (\$14,800,000) were slightly above September 1950 figures. Imports from the participating countries (\$202,000,000) were at a new postwar high, 28.2 percent above the previous postwar peak of \$157,500,000 set in September 1950. This rapid rise was shared in equally by imports from both the participating sterling and participating non-sterling areas.

The commodity breakdown shows the export rise accounted for almost entirely by finished goods. The increase in imports was seen in all commodity groups, with semifinished goods predominant percentage-wise. A review of these foreign trade figures reflects a rapidly expanding West German economy. During the last year the source of imports has made a marked shift from the United States to the European Payments Union (EPU) countries, much to the gratification of ERP planners. Exports have developed favorably to all areas. Whereas a year ago, the West German trade deficit was almost exclusively a problem of trade with the United States, it is now becoming increasingly a problem of trade with EPU countries.

#### WEST GERMAN FOREIGN COMMODITY TRADE

October 1950

[Thousand Dollars]

CATEGORIES	Imports	Exports
Food and Agriculture . . . . .	133,608	6,453
Industry . . . . .	178,581	207,773
Raw materials . . . . .	87,586	25,965
Semifinished goods . . . . .	48,429	33,898
Finished goods . . . . .	42,566	147,910
Total . . . . .	312,189	214,226
AREA		
Total Non-participating Countries . . . . .	109,869	60,983
USA . . . . .	42,708	16,186
Canada . . . . .	1,092	1,187
Latin America . . . . .	18,465	21,797
Non-participating Sterling Countries . . . . .	16,310	8,347
Eastern Europe . . . . .	14,763	10,608
Other Countries . . . . .	16,531	11,858
Participating Countries . . . . .	202,014	143,721
Non-Sterling . . . . .	165,081	132,411
Sterling . . . . .	36,933	11,310
Unspecified . . . . .	306	522
Total IMPORT SURPLUS: October \$97,963,000 . . . . .	312,189	214,226

IMPORT SURPLUS: October \$97,963,000.

#### Monetary Developments

The volume of short-term commercial bank credit increased DM 615,000,000 during October to DM 13,102,000,000 as compared to the previous month's increase of DM 633,000,000. However, the volume of money (currency and deposits) showed an increase of DM 756,000,000 to DM 26,048,000,000, as compared to the September increase of DM 401,000,000. Commercial Bank excess reserves as a proportion of minimum reserves showed a sharp decrease from 5.5 percent at the end of September to 2.9 percent at the end of October, reflecting the increase in reserve requirements which was effective October 1. At the same time net indebtedness of commercial bank to the Central Banking System has shown the following movements:

Since July:	(DM Million)			
	July	August	September	October
	2,290	2,104	2,786	3,070

These movements give no definite indication as to future short-run monetary developments. Sufficient time to show effects of the Central Bank restrictive measures has not yet passed. Prelimi-

nary reports for November from samples seem to indicate a marked slowdown in the rate of credit expansion.

#### Agricultural Production

At the beginning of November, mild but very unsettled weather set in, with almost incessant rainfall over the whole Federal area. The rain impeded fall cultivation and interrupted seeding of winter wheat. Rains also delayed the beet harvest, but during the short dry period, much of the sugarbeet crop was harvested. Some local areas of grassland, and even cropland to a minor degree, were flooded.

Final estimates of this year's bumper potato crop indicate a total of almost 28,000,000 metric tons, an increase of 34 percent over last year. Preliminary estimates of the sugarbeet harvest show an increase of 38 percent over last year due to increased hectarage and better yields. The following table presents the total production of some major crops as compared with last year and pre-war averages.

#### PRODUCTION OF MAJOR CROPS

	(Thousand metric tons)			
	Bread-grain	Fodder-grain	Potatoes	Sugar-beets and rutabagas
1935-38 . . . . .	5,689	4,798	19,538	4,253 25,872
1949-50 . . . . .	5,954	4,267	20,875	4,735 21,583
1950-51 . . . . .	5,792	4,414	27,958	*6,547 25,231
In % of				
1949-50 . . . . .	97.3	103.4	133.9	138.3 116.9

\* Preliminary.

The total production of hops is estimated at 9,400 metric tons, a postwar record, and reaching prewar levels. The grapevine harvest has been completed and bears out previous forecasts of above-normal quantities. The quality of this year's vintage will also be above normal, but will not reach the excellence of the past few years' vintages.

The stand of growth of fall-seeded grains and oil crops is satisfactory. Some difficulties are anticipated in the procurement of certain types of clover and grasses.

The health and weight status of all livestock is reported as good. The seasonal removal of livestock from pasture has been completed in the beginning of November. Farm-to-market deliveries for cattle showed a seasonal increase during November, while hog supply was still somewhat short in most places so that prices generally remained at the high level of July-October. Milk production continued its seasonal downward trend. Total milk production during the past economic year (July 1949-June 1950) amounted to 12,800,000 metric tons as compared with 10,000,000 during the preceding year.

During November, the Federal Republic agreed to a barter transaction of sugarbeet molasses for cane sugar from the United States at ratio of

3 to 1. The price for sugarbeet molasses was established at approximately \$35 per ton FOB German ports.

The Federal Republic has submitted a report to the ECA Mission indicating an export potential for 1950-51 of the following types and quantities of fertilizer:

Nitrogen (pure N) . . . . .	150,000 MT	Average price, all types, \$220 per MT, FOB German port
Superphosphate ( $P_2O_5$ ) . . . . .	30,000 MT	World market price
Potash . . . . .	300,000 MT	World market price

### Flour for Yugoslavia

In November, the ECA Mission made arrangements with the Federal Republic to ship immediately to Yugoslavia approximately 30,000 tons of flour. This flour is urgently required by Yugoslavia in view of the recent drought. The Federal Republic will receive approximately 50,000 tons of grain from the United States which will replace the wheat used and also be used to pay for the costs of milling and transportation of the flour to Yugoslavia. This arrangement not only provides for immediate emergency shipments of flour to meet urgent Yugoslavian requirements, but also enables Western Germany to more fully utilize its flour-milling capacity and to receive increased imports of dollar wheat to pay for labor and other Deutsche Mark costs. There is a possibility that further arrangements will be made for similar shipments of flour to Yugoslavia, through the assistance of the Federal Republic.

### Legislation

Pursuant to the extension, passed in October, of the Emergency Ordinance on Economic Controls, an order was issued prolonging the validity of 19 marketing regulations thereunder. Also, two price ordinances were issued: the first established surcharges on imported wheat of DM 40 (thous. kg.) for amber durum wheat and DM 3 for all other varieties; effective from October 1950 to June 1951, inclusive; the second set import and retail prices for Mexican canned beef. Lastly, a law was passed authorizing tax reductions on specific quantities of tobacco products resold to tobacco growers, maximum quantities being fixed in relation to the area of tobacco cultivated.

### Berlin

Preliminary estimates indicate that Berlin's net output during the third quarter of 1950 amounted to DM 935,000,000 and was approximately DM 140,000,000 higher than during the previous 3 months. Employment and output data for October make it quite improbable that this rate of progress could be maintained in the fourth quarter of 1950. Industrial production during October rose by only 1 index point to 39 percent of 1936.

While unsubsidized employment rose moderately from July through October, the increase came to a halt in the first half of November with a reduction of 700. Increased output in November thus seems highly doubtful.

Shipments to West Germany and foreign countries in October exceeded the monthly average of the third calendar quarter by 20 percent and amounted to DM 106,600,000. Shipments arriving in October increased approximately in the same proportion (21 percent) and amounted to DM 229,200,000. Thus the gap widened and Berlin's balance of trade shows a DM 122,600,000 deficit for October; this represents an increase of DM 21,600,000 over the monthly average of the third quarter, and of DM 24,900,000 over September. While the increase in exports was insufficient to pay for the additional imports, the composition of goods arriving in the city clearly indicated that seasonal buying, apparently the stocking of pre-Christmas inventories, is the primary cause for increased arrivals. The largest increases noted were in foodstuffs and other consumer goods. In connection with longer run balance-of-payments considerations it may be well to remember that Berlin's industries largely specialize in producers goods and therefore Berlin's external position in the short run is sensitively affected by seasonal changes in consumer demand.

### Light Cruisers Offered to Argentina, Brazil, and Chile

[Released to the press January 4]

The Department of State announced today that preliminary negotiations have been satisfactorily concluded with naval representatives of Argentina, Brazil, and Chile and the United States Department of the Navy for the proposed transfer of two light cruisers to each of these Governments in connection with plans for the defense of the hemisphere.

A formal offer of sale of these World War II vessels, which have been determined to be in excess of the mobilization reserve requirements of this Government, was made today in diplomatic notes presented to each of the Ambassadors of these Governments at Washington.

The proposed sales will be made under the authority of the Mutual Defense Act of 1949, as amended.

It is expected that, once formal acceptance is received from the Governments of Argentina, Brazil, and Chile of the terms and conditions under which the vessels can be sold, arrangements will be made for the rehabilitation and outfitting of these vessels and the training of the naval personnel of the three countries prior to the ultimate transfer.

## INTERNATIONAL ORGANIZATIONS AND CONFERENCES

### United States Delegation Report on FAO

**SPECIAL CONFERENCE SESSION, WASHINGTON, D.C.  
NOVEMBER 3-11, 1950**

by Clarence J. McCormick, Under Secretary of Agriculture

The special session of the Conference of the Food and Agriculture Organization (FAO) convened at Washington on November 3 in an atmosphere of uncertainty and adjourned, on November 11, with the reaffirmed faith of the member governments strongly expressed in words and actions. Between convening and adjourning, the Conference, under the chairmanship of André Mayer of France, took a number of noteworthy actions.

The Conference admitted five new members, continued the appointments of the present Director-General and independent Chairman of the FAO Council, amended the constitution, rules of procedure and financial regulations, approved the program and budget for 1951 and gave a good deal of thought to future programs and budgets, continued the Committee on Commodity Problems with a broadened frame of reference, promised co-operation with United Nations actions on land reform and Korean reconstruction, and made a number of other decisions.

The Conference agenda was much more extensive than had originally been anticipated for what was essentially a special session devoted primarily to business. Normally, a Conference would not have been held this year since, at the 1949 Conference, the Organization had voted to hold the next meeting in April 1951. However, pressing problems and the forthcoming move to Rome justified a shift to an earlier date.

In recognition of the fact that this is the last Conference FAO will hold with headquarters at Washington and also in recognition of the fifth anniversary, the Organization held a commemorative ceremony midway in the Conference deliberations honoring more than 60 FAO pioneers, who

had participated in the founding of the Organization at Hot Springs and at Quebec.

#### **U.S. Leadership on Expanded Budget**

The feeling of uncertainty tinged with pessimism that clouded the early Conference sessions and those of the FAO Council of 18 governments, which met for a week before the Conference, was the product of several factors.

One factor was the likelihood that the Organization would have to adopt a reduced program for 1951 in order to live within its income. Another uncertain factor was the effect that the move to Rome might have on the Organization's finances, personnel, and ability to meet demands while in process of moving and restaffing. The cost of the move would be greater than had originally been anticipated, largely because of the cost of making final payments to the staff members electing not to move with the Organization.

The United States delegation sensed this feeling of uncertainty and pessimism and felt that, if unchecked, it would prove damaging to the future of the Organization on which so much depended. The delegation, therefore, worked hard to dissipate and overcome the feeling. At the session of the FAO Council that preceded the Conference, a United States member stated that these problems could be readily solved, "if we keep our minds on the objectives of the Organization, the idealism that lies behind it and the future which can be in store for it with the continued support of member governments."

For the first time, the United States had been in a position to urge or support an expanded

budget for FAO although the Organization had been in financial difficulties for several years. The reason for the difficulties was twofold: the limitation of the budget to 5 million dollars and the fact that available funds never came to so much as that figure because the original contribution scale used until 1949 included governments which failed to join and because some member governments were seriously in arrears on paying their contributions. The major portion of these contributions in arrears are represented by the contributions of China, of Eastern European members which have now announced withdrawal, and of other members which dispute the date of their entry into membership. Thus, though the membership had increased by nearly 60 percent since its founding, the budget had remained static, and the available funds had reached the point where the Conference could approve an expenditure level of only 4.5 million dollars for 1951 although the budget had been approved at 5 million dollars.

Suiting action to words, the United States member proposed that the Director General be instructed to plan for an expanded regular program and budget in 1952 and 1953. This proposal gained support and was finally adopted at the council session after the Conference.

A budget of 5 million dollars was agreed when FAO was formed at Quebec in 1945. On the basis of this figure and the United States percentage contribution which was also agreed at the time, the United States Congress set a ceiling on the contribution to FAO of 1.25 million dollars. This action had the effect of tending to restrict the total FAO budget to 5 million dollars since the United States makes the largest single contribution. The previous FAO Conference, the fifth, had modified the scale of contributions to be made by each government and had raised the United States share from 25 to 27.1 percent of the total, making the amount required from the United States 1.36 million dollars. With the United States ceiling already set at 1.25 million dollars this increase would put the United States in arrears on its 1950 contribution. However, Congress, in September, raised the ceiling to 2 million dollars.

By this action the United States was able to recommend an expansion in FAO's total regular budget for 1952-53. The United States position was that it should be a modest expansion, rather than one that would require going to the new United States ceiling right away. Therefore, no mention of specific figures for an expanded budget was made.

The Council, at its session after the Conference, having been instructed by the Conference to give the Director General guidance on the level of the budget he should plan for 1952-53, agreed that he should plan an expenditure budget of 5 million dollars. Because of the constitutional necessity of assessing members which have announced withdrawal in the past year, and certain other mem-

bers who may not be in a position to pay within the year, this would mean a so-called income budget of over 5 million dollars.

#### General Conference Actions

During the special session of the Conference, five new members were admitted to FAO. These were Cambodia, Vietnam, the German Federal Republic, Jordan, and Spain. The admission of Spain was made possible by the vote of the United Nations General Assembly, while the FAO Conference was in progress, to allow Spain's admission to specialized agencies of the United Nations. Spain's earlier application had been shelved until such time as the General Assembly might remove the ban on its membership in specialized agencies.

With the five new members admitted, FAO's total membership became 68 at the time of the Conference although Czechoslovakia ceased to be a member in December 1950, and Poland will withdraw in April 1951.

The Conference reappointed the present Director-General of FAO, Norris E. Dodd, for another year and invited the independent chairman of the Council, Viscount Bruce of Melbourne, to continue to serve for another year. Lord Bruce indicated that he would like to relinquish his post as soon as a suitable successor could be found. The FAO Council will present nominations to fill both of these posts to the next session of the Conference.

The Conference agreed to extend for another year the terms of the six council members who would have retired this year.

A thorny problem that the Conference tackled was the interpretation of the date of membership of member governments in FAO. The question was whether membership of countries in FAO dated from the time that the countries' representatives signed the constitution at the Quebec Conference in October 1945 or whether they were members only from the time that their legislative bodies had ratified their membership. This question had a number of serious implications, among them that of how much money was due from the countries in contributions and whether they should be regarded as members for the purpose of assessing contributions as well as all other purposes. If assessed from the time of signing, countries were technically in arrears for more than 2 years and should thus lose their voting rights at the Conference.

A few countries maintained that their date of membership was the date of ratification, and some in this group had not yet secured ratification. This position was maintained in spite of action taken at last year's Conference, which noted that the majority of countries which signed the constitution, as original members of FAO, felt under moral obligation to contribute to the expenses of the Organization from that date since they had

participated fully in all activities continuously from the time of signing.

The Conference agreed that it had no legal alternative but to accept the position, taken by the nations in question, that their membership dated only from ratification. Since this Conference had no time to go into all the implications of accepting this position, it requested the council, with the assistance of the Committee on Financial Control, to study the problem so that a final settlement could be made at the next regular session of the Conference.

A number of other general actions of the Conference should be noted. The Director General was asked to consult with the Secretary General of the Organization of American States (OAS) on ways of working out closer relations between the two organizations in fields of common interests. The purpose of these consultations will be to develop joint or complementary activities, avoid duplicating ones, and utilize common services. The Director General is to work out with the OAS a draft general agreement on the subject.

The Conference considered a proposed international plant protection convention. This proposal was designed to facilitate development of world-wide plant quarantine regulations and establish a central reporting service. This service would provide information on outbreaks of plant disease and coordinate efforts to prevent its spread. Since several governments felt that they needed more time to consider the proposal, the Conference put off final action until the next session.

#### **Expanded Technical Assistance Program**

A full discussion of FAO's expanded technical assistance program led off with a report from the Director General on the progress FAO had made with the use of the 29 percent of the United Nations Technical Assistance Fund allotted to it.

In the discussion of the program and the consideration of the report that the Council had made on its discussion prior to the Conference a number of points were brought out.

One was that progress was limited by two factors: neglect of some countries to make usable contributions to the special account and lack of information on the part of recipient countries on how to qualify for technical assistance projects.

Another point was that some problems were arising in recruiting experts—problems both for FAO in getting the specialists needed and for the countries contributing experts which might feel that their own operations would suffer if FAO recruited too many technical people. The Conference also noted that technical assistance is not limited to supplying expert assistance but that it also encompasses equipment needed as part of technical assistance work and the organization of training arrangements within the recipient countries to enable them to carry on projects after the initial stages. The technical assistance provided

by FAO can serve only as a spearhead for wider development by the country concerned and it must be designed to enable the recipient country to carry on the work once the project is concluded.

If the program is to achieve economic development and raise living standards, capital investment will be required in addition to technical assistance.

After hearing the discussion, the Conference approved the progress that the Director General was making on the program and endorsed his arrangements for administration both within FAO and with the United Nations Technical Assistance Board. It urged fullest cooperation from all member countries in paying their contributions to the United Nations Special Technical Assistance Account, in making technicians and equipment and training facilities available, and in following through on local activities required to make technical assistance effective.

Several specific requests were made of the Director General for his future operation of the program: one, that he should, as far as possible, present the technical assistance work in future programs and budgets in such a way as to be compared with the regular program and evaluated in relation to the program; another, that adequate provision be made to insure that information growing out of the projects be carried down to the individual producer and that special attention be given in technical assistance work to questions of land tenure and immigration and land settlement.

#### **Land Tenure**

The Conference heard a report on the discussions that were then taking place in the United Nations General Assembly on land tenure and other aspects of the depressed living standards of rural people. The resolution, which the Assembly was then drafting, called for a study of this subject by the Secretary General in cooperation with FAO because of the importance for economic development and for the welfare of small farmers throughout the world. The Conference recommended that the Director General furnish as full cooperation as possible in making the study called for by the resolution, which was adopted by the General Assembly on November 20. The study is to be presented to the next session of the Economic and Social Council for use in preparing recommendations to the General Assembly on improving conditions. The recommendations will cover land reform, cheap agricultural credit facilities, technical assistance, promotion of rural cooperatives, development of small agricultural machinery factories and processing facilities, revised tax policies, promotion of family-owned and cooperative farms, and other measures to promote the security of tenure and welfare of agricultural workers, tenants, and owners of small- and medium-sized farms.

The General Assembly also recommended that governments avail themselves of United Nations facilities for advice on these measures. Thus, FAO can go forward with activities in these fields without waiting for the study to be completed and approved.

#### **Commodity Problems**

A Committee on Commodity Problems had been established by the fifth session of the FAO Conference in 1949 with the primary purpose of considering surplus commodity situations arising from balance-of-payment difficulties. This session of the Conference considered the report the Committee had made on the work and the recommendations of the Council session preceding the Conference and felt that the Committee had proved worthy and that it should not only be continued but that the scope should also be broadened. The new definition of the scope of the Committee is "that its terms of reference shall be those laid down by the fifth session of the Conference, save that the Committee will address its attention to commodity problems falling within the competence of FAO to consider, whether arising from balance-of-payment difficulties or from other causes." Also, the Conference approved the Committee's method for devising ways for disposing of surplus foods at concessional prices in such a way as to "serve the legitimate interests of producers and consumers."

The International Cooperative Alliance introduced a proposal to the Conference inviting the marketing and consumer cooperatives of the world to form a world surplus commodity cooperative. This cooperative would purchase commodities in surplus and, through exchanging them and possibly processing materials received in exchange, get commodities surplus in one area used, if possible, in another. Part of the proposal was to negotiate a loan from the International Bank to start the cooperative. This proposal was referred to the Committee on Commodity Problems for study.

#### **Korean Relief and Reconstruction**

The Conference reviewed the plans for Korean relief and reconstruction developed by the United Nations General Assembly and the Economic and Social Council and approved the action the Director General of FAO had taken at the beginning of the Korean crisis in offering the full cooperation of FAO to the Secretary-General of the United Nations and authorized FAO's continued cooperation with United Nations arrangements for Korean relief.

#### **Program of Work**

The Conference approved the proposed reorganization of FAO's staff. The main changes

included the combination of the Distribution Division with the Economics and Statistics Division and of the Rural Welfare Division with the Agriculture Division.

On the question of FAO's regional offices, the Conference approved the termination of the European Regional Office after FAO moves to Rome and the creation of the North American Regional Office. It took no action on the location of the Far East Regional Office which is temporarily located at Bangkok and left to the Director General the location of further Latin American Offices, other than those now at Santiago, Chile, and Rio de Janeiro, Brazil.

The question of the relations of the FAO Regional Office for the Near East with the Government of Israel was considered apart from the discussions on other regional offices. The Conference considered the difficulties of establishing direct relations between Israel and the Near East Regional Office and decided that the Director General should explore the problem and find the best method of making the full services of FAO available to the Government of Israel.

The Conference considered at length the long-term trends of the Organization. This problem was first raised by the United States Government at the FAO Council session in May 1950. The feeling prevailed that, with 5 years' experience in working toward its objectives, FAO would do well to examine operations in the light of experience and make any adjustments that appeared necessary. The Conference agreed to appoint a working party, responsible to the Council and made up of representatives selected for their special abilities, to make a thorough study and report on the problem. It also asked member governments to submit their ideas on FAO's long-term work not later than February 15, 1951.

The general trend of the discussion on FAO's long-term trends was that its objectives were as valid today as when it was founded. It is only its means of achieving its objectives that need careful consideration.

#### **Financial and Administrative Decisions**

One of the main concerns of the United States delegation in the financial and administrative field was the action that the Conference might take on revising the scale of contributions of member governments to FAO. The United States spokesman on this subject, Ralph S. Roberts, Director of Finance of the United States Department of Agriculture, stated the United States position that "the largest contribution must not be so high as to place the Organization in a position of great dependence on it." For this reason, he said, the United States should not be asked at this session to make a further increase in its percentage share in FAO.

He stated that—

. . . The United States does not intend that its contribution percentages to various international organizations shall never be subject to modification. . . . When substantial downward adjustments in the United States percentage share takes place, particularly in the United Nations as well as in WHO and UNESCO, some upward adjustments become possible in the case of those organizations where the United States share is relatively low.

The Conference decided that, for the time being, the present ceiling on contributions of 27.1 percent should be continued. Some support for a proposal had been put forward by several members that the ceiling should be fixed at 33½ percent as a target to be approached as rapidly as possible. Also on this subject, the Conference approved the recommendation of the Special Committee on the Scale of Contributions that national income statistics should be used as the basis for developing a more fundamental revision of the scale of contributions, rather than the United Nations scale of contributions itself. It instructed the Special Committee to prepare a revised scale of contributions based on national income statistics for presentation to the next regular session of the Conference.

For 1951, the Conference adopted the scale of contributions recommended by this Committee as well as the assessments for new members.

The Conference also took a number of other actions in the fields of finance and administrative problems. It established a Special Headquarters Removal Fund to pay for the cost of moving to Rome. Part of this fund is to be made up of a loan of \$800,000 from the United Nations and the rest of the estimated total cost of \$1.6 million from resources available within FAO. It approved, subject to review at the next Conference, the Director General's recommendations for applying a cost-of-living differential of 10 percent of 7.5 percent of the salary of each international staff member at Rome. It put off until the next Conference a decision on what currency the contributions of member governments should be paid in when the Organization is established at Rome. It decided that the Working Capital Fund should be established at 1.75 million dollars for 1951 by payments from members on the basis of membership and scale of contributions for 1951.

It urged member governments to make their payments as soon as possible and, in order to encourage payment of contributions which are in arrears, requested the Director General, in principle, not to send missions to or hold meetings or conferences in countries whose arrears amount to as much as their dues for the two preceding financial years.

#### **Amendments to Constitution, Rules of Procedure, and Financial Regulations**

This session of the Conference made extensive revisions in FAO's constitution, rules of procedure,

and financial regulations. The principal purpose of the amendments was to bring them into conformity with the decision to change over from annual to biennial conferences and with United Nations procedure. The Conference agreed that none of the revisions adopted was to be regarded as limiting or prejudicing future consideration of uniform provisions that may be proposed for United Nations agencies. The Conference felt that the greatest warranted degree of uniformity consistent with technical requirements of individual agencies is greatly to be desired.

#### **Conclusions**

An undercurrent of sentiment prevailed at the Conference that FAO is at the crossroads. The Conference reaffirmed allegiance to the hope that FAO remain the vehicle for the expression of the best hope for human affairs. FAO's Director General Norris E. Dodd said, at the ceremony commemorating the pioneers of FAO, "Even if FAO as we know it should disappear, it would rise again in some other form."

### **Milner B. Schaefer Appointed to Tropical Tuna Commission**

The Department of State announced on December 28 the appointment of Milner B. Schaefer as Director of Investigations by the newly formed Inter-American Tropical Tuna Commission. Mr. Schaefer will assume his duties on January 1, 1951.

The Inter-American Tropical Tuna Commission was established by a convention between the United States and Costa Rica which entered into force on March 3, 1950. Chairman of the Commission for the first year is José Luis Cardona-Cooper, Chief of the Department of Fisheries of the Ministry of Agriculture and Industries, San José, Costa Rica. President Truman appointed three members to serve on behalf of the United States: Milton C. James, assistant director, Fish and Wildlife Service, Department of the Interior; Lee F. Payne, member of the California Fish and Game Commission; and Eugene D. Bennett, an attorney of San Francisco.

The Department stated that the Commission has been established to make a joint study of certain tuna fisheries, namely, yellowfin and skipjack, in the tropical waters of the eastern Pacific Ocean, and of the kinds of fish used as bait by tuna fishermen. Because these fisheries present problems to other countries besides the United States and Costa Rica, provision has been made for other interested countries to become participants. The territorial waters of Costa Rica are an important source of bait, and it is understood that the Commission plans to establish branch headquarters in that country although the main office and laboratory will be located in southern California.

## **Conference on Central and Southern Africa Transport Problems**

A midcentury evaluation of the present development and future prospects of transportation in the great subcontinent of Central and Southern Africa has just been made at an intergovernmental meeting in the chief city of that area. The occasion was the Central and Southern Africa Transport Conference held at Johannesburg, Union of South Africa, October 25–November 16, 1950, and attended by Government representatives of the four metropolitan powers with overseas territories in Africa south of the Sahara—Belgium, France, Portugal, and the United Kingdom; the Union of South Africa and South West Africa; Administrations of Southern Rhodesia, Northern Rhodesia, Nyasaland, East Africa High Commission (Tanganyika, Uganda, Kenya), Belgian Congo, Mozambique; United Kingdom High Commission for the Protectorates of Basutoland, Bechuanaland and Swaziland; and Madagascar. The United States and the International Bank for Reconstruction and Development were represented by observers.

### **The Conference**

The Transport Conference designated February 28, 1951, as the final date for governments concerned to submit their official views on the matter of establishing a permanent transport organization. If that principle was agreed upon, a further conference would be held on June 1, 1951, in order to complete and sign a draft constitution.

A number of proposals for railway and port development in Africa north of the Union and south of the Sahara were examined in detail. The conference endorsed international through-rates and recommended principles for establishing rates.

The meeting adopted a highway numbering system and a highway classification system with maximum permissible load and dimensional limits, and it also adopted African standard railway gauge (42 inches) and made important recommendations on railway equipment, service, and interchange of equipment.

### **BACKGROUND AND AGENDA**

The Conference was held at the invitation of the Government of the Union of South Africa,

pursuant to a decision made at a Conference on Central African Transportation which had been convened at Lisbon in May 1949 upon the initiative of the Government of Portugal.<sup>1</sup> The agenda for the Johannesburg meeting was fixed at the Lisbon session. Further preliminary discussion of the problems under consideration occurred at a special meeting on transport problems in Africa south of the Sahara, convened by the Organization for European Economic Cooperation at Paris in February 1950. At both these preliminary meetings the United States was represented by observers.

The agenda of the Johannesburg Conference was printed in the BULLETIN of July 4, 1949. In general, the objective of the Conference was to consider the sound and coordinated improvement and expansion of transport facilities as a basic factor in the general economic development of the vast and promising region south of the Sahara. To achieve this objective the Conference was to consider the establishment of a permanent interterritorial organization.

### **UNITED STATES DELEGATION**

The United States delegation of observers was composed of the following persons:

John G. Erhardt, Ambassador Extraordinary and Plenipotentiary of the United States of America to the Union of South Africa, Pretoria

Henry H. Kelly, Chief, Inland Transport Policy Staff, Department of State, Washington, D.C.

Allan Hugh Smith, Director, Overseas Territories Division, Office of Special Representative, ECA, Paris

George Clemens, Alternate Representative for ECA, Paris

Frank H. Whitehouse, Assistant Chief, Economics Division, Munition Board, Department of Defense, Washington, D. C.

John A. Birch, Commercial Attaché to the Embassy of the United States of America, Pretoria

Miss Virginia M. Robinson, Attaché (Geographic) to the Embassy of the United States of America, Pretoria

Stephen J. Shuttack, (Secretary) Administrative Officer, American Consulate General, Johannesburg

The United States observers took part in the deliberations of all of the committees except the Steering Committee, composed of the heads of the

<sup>1</sup> For an article on the Lisbon conference by Maxwell Harway, see BULLETIN of July 4, 1949, p. 852.

various participating delegations, and the Final Act Drafting Committee.

#### ORGANIZATION OF THE CONFERENCE

Following the opening ceremonies presided over by the Prime Minister of the Union of South Africa, Dr. D. F. Malan, on October 25, the first plenary session on October 26 elected P. O. Sauer, the South African Minister of Transport and leader of the South African delegation, as president and E. De Backer, the Belgian Royal Inspector of Colonies of the Ministry of Colonies and leader of the Belgian delegation, as vice president.

The following substantive committees were appointed by participating delegations on October 28, 1950:

Committee	I—Steering Committee
Committee	II—Economic Development Committee
Committee	III—Railways, Marine Ports and Inland Waterways Committee
Committee	IV—Roads Committee
Committee	V—Fiscal and Rating Committee
Committee	VI—Transportation Committee
Committee	VII—Constitution Committee (Permanent Organization)
Committee	VIII—Final Act Drafting Committee

The Conference Secretariat was under the direction of W. Marshall Clark, Secretary-General both of the Conference and the Interim Transport Organization for Central and Southern Africa. He was assisted by a Deputy Secretary-General, two Assistant Secretaries-General (administrative), a Public Relations Officer and a technical staff.

#### Work of the Committees

The committees produced recommendations which were adopted by the Conference in plenary session on November 16.<sup>2</sup>

#### BASIC TRANSPORTATION NEEDS

Generally speaking, under the terms of reference Committee II was to investigate the problem of transportation requirements of the different African territories as indicated by their problems of economic development and present traffic requirements, as well as proposed new road, rail, and inland waterway routes, and conclude whether such proposals were necessary, were adequate, and whether additional transportation would be required. Under the terms of reference, the Committee was assigned 24 specific transportation and port problems.

The Committee first received statements in general terms of the economies of the different

<sup>2</sup> These recommendations are set forth in detail in a public statement issued by the Secretary-General at the close of the Conference. Text of this statement may be obtained by writing to the Office of Transport and Communications Policy, Department of State, Washington 25, D.C.

territories and the general nature of transportation plans. The Committee then received detailed statements of specific transportation proposals set forth in the terms of reference. In most cases, the Committee merely noted the statement and the Committee report itself contains ten "conclusions and recommendations," of which four are merely noted and do not represent action by the Committee.

Major discussion in the Committee—sitting in conjunction with Committee III—included full statements relating to the improvement of the port of Beira. The Committee expressed the opinion that the prompt conclusion of improvement on this port was essential. The Committee heard an exhaustive statement concerning the relative economic merits of the alternative rail links to Lourenço Marques through Beit Bridge and through Pafuri, together with a carefully documented argument by South Africa on the capacity of the Mafeking Line, all of which represented frank ventilation of the problems involved in this decision. On this problem the Committee did not recommend a choice between the alternatives but recommended that a forthcoming ECA survey should be expedited.

The Committee received interesting and valuable information concerning the economic possibilities of the development of Northern Rhodesia and of the western part of the territories of British East Africa as the result of construction of the proposed rail link from the Rhodesia railways to one or another of the Tanganyika ports.

#### CAPACITY OF TRANSPORT FACILITIES

The work of Committee III was largely technical in nature. It agreed on the capacity figures for the port of Beira in Mozambique as being presently 2,100,000 short harbor tons and at the end of 1951 approximately 4,013,000 short harbor tons. It also agreed on an African standard railway gauge of 3 feet 6 inches and upon standardization of railway equipment moving in interterritorial traffic.

#### ROADS

Although the agenda gave priority to the problems of railways and maritime ports, discussions in the Conference itself showed full recognition of the importance of highways. Committee IV produced a useful substantive set of resolutions.

The United States observers explained current highway practices in the United States, the work of the United Nations in sponsoring an international convention on road traffic, the present status of road signs and signalization in other parts of the world, and similar technical details.<sup>3</sup>

<sup>3</sup> For an article by H. H. Kelly on the subject, see BULLETIN of Dec. 12, 1949, p. 875a.

The Conference made decisions which will eventually facilitate the development of highway transport throughout the area. These practices include the classification and numbering of a system of interterritorial highways—the future "Cape to Cairo" road was designated as A-104; endorsement of the provisions of the Road Traffic Convention of 1949, including its traffic regulatory principles, and its permissible maximum dimensions and weights of large motor vehicles (for example, 18,000 pounds or 8 metric tons per axle). Agreement was also reached on a basic system of highway signs and signals, based on the Geneva Protocol of 1949, but with recognition of the fact that the United Nations has appointed a committee of experts to consider the problem of a single world-wide system. The United States observers gave the Secretariat of Committee IV materials prepared by the United States Bureau of Public Roads on the subject of highway planning surveys and stated that the matter of intelligent planning of a highway network should receive the careful attention of any permanent organization. This fact was recognized by the Committee in its recommendations on research.

#### RATES AND TARIFFS

Committee V achieved two important results. It received a list of agreements that were presently in force between different railway administrations affecting rates and conditions of interterritorial traffic. It did not, however, accept the texts of any such agreements, although texts were offered by several delegations. Secondly, it endorsed the principle of interterritorial through-rates and adopted a statement of the principles that should guide railway administrations in reaching such agreements.

This Committee did not examine specific rates or tariff structures, nor did it attempt to explain or define the effect of railroad tariffs upon the economy of the territories served.

The Committee recommended investigation of the possibility of abolishing visas for in-transit passengers and recommended improvement of facilities relating to hotel accommodations, supplies of motor fuel, repair shops, and telephone and telegraphic communications.

#### COORDINATION OF TRANSPORT FACILITIES

Committee VI decided that matters affecting the control and regulation of competition among rail-

way, road, and water transportation are entirely matters of domestic concern and recommended "that these matters be not discussed."

The affirmative achievements of Committee VI are all technical in character, affecting interchange of rolling stock, railway timetables, and related matters.

#### PERMANENT ORGANIZATION

Committee VII considered the establishment of a permanent interterritorial council in accordance with the recommendations of the Lisbon Conference. All delegations, including the United States observers, were represented on the Committee.

The Committee gave full consideration to the views of the member delegations but, while able to agree unanimously in principle that continuing collaboration in the field of transport is necessary and desirable, was unable to agree on the form that such collaboration would take. The principal issue was whether a formal organization consisting of an interterritorial council and secretariat should be created or whether continuing cooperation could be satisfactorily achieved through a series of rotating annual conferences. A subcommittee examined various draft constitutions put forward by several of the delegations and drafted a constitution, but, because of the lack of unanimous agreement, the Committee was unable to recommend it to the participating Governments. Accordingly, the draft constitution containing provisions for a permanent organization was forwarded to the Governments for consideration.

Under the terms of the final act of the Conference, it is recommended that the respective Governments be given until February 28, 1951, to indicate their decision on the principle of establishing a permanent organization. Should they so agree, it is recommended that comments be forwarded to the Secretary General of the Interim Organization before June 1, 1951, on which date a meeting of the participating Governments should be convened to complete and sign the constitution.

The Conference agreed that an Interim Organization should continue only until February 28, 1951, for the purpose of completing the work of the Johannesburg Conference. If the Governments agree to the establishment of a permanent organization, the Interim Organization would continue until a permanent body comes into being.

This article was prepared by H. H. Kelly, Allan Hugh Smith, and John A. Birch, all members of the United States observer-delegation to the meeting.

## **Report to the General Assembly From Group on Cease-Fire in Korea**

U.N. doc. A/C.1/643  
Dated Jan. 2, 1951

[1.] On 14 December 1950 the General Assembly adopted the following resolution which had been sponsored by thirteen Asian Powers:

The General Assembly,  
VIEWING with grave concern the situation in the Far East,

ANXIOUS that immediate steps should be taken to prevent the conflict in Korea spreading to other areas and to put an end to the fighting in Korea itself, and that further steps should then be taken for a peaceful settlement of existing issues in accordance with the purposes and principles of the United Nations,

Requests the President of the General Assembly to constitute a group of three persons, including himself, to determine the basis on which a satisfactory cease-fire in Korea can be arranged and to make recommendations to the General Assembly as soon as possible.

2. In pursuance of the resolution, the President forthwith constituted a group consisting of Mr. L. B. Pearson of Canada, Sir Benegal N. Rau of India and himself, and announced this fact to the General Assembly. The Group met almost immediately afterwards and decided to associate the Secretary-General of the United Nations with its work.

3. A copy of the resolution was sent on 15 December to Ambassador Wu, the representative of the Central People's Government of the People's Republic of China who was then in New York.

4. On 15 December, as a first step in carrying out its task the Group consulted the representatives of the Unified Command as to what they considered to be a satisfactory basis for a cease-fire. The suggestions which emerged from this consultation and which in the circumstances the Group felt constituted a reasonable basis for discussion, are summarized below:

(1) All governments and authorities concerned, including the Central People's Government of the People's Republic of China and the North Korean authorities, shall order and enforce a cessation of all acts of armed force in Korea. This cease-fire shall apply to all of Korea.

(2) There shall be established a demilitarised area across Korea of approximately twenty miles in depth with the southern limit following generally the line of the 38th parallel.

(3) All ground forces shall remain in posi-

tion or be withdrawn to the rear; forces, including guerrillas, within or in advance of the demilitarised area must be moved to the rear of the demilitarised area; opposing air forces shall respect the demilitarised zone and the areas beyond the zone; opposing Naval forces shall respect the waters contiguous to the land areas occupied by the opposing armed forces to the limit of 3 miles from shore.

(4) Supervision of the cease-fire shall be by a United Nations Commission whose members and designated observers shall insure full compliance with the terms of the cease-fire. They shall have free and unlimited access to the whole of Korea. All governments and authorities shall co-operate with the Cease-Fire Commission and its designated observers in the performance of their duties.

(5) All governments and authorities shall cease promptly the introduction into Korea of any reinforcing or replacement units or personnel, including volunteers, and the introduction of additional war equipment and material. Such equipment and material will not include supplies required for the maintenance of health and welfare and such other supplies as may be authorized by the Cease-Fire Commission.

(6) Prisoners of war shall be exchanged on a one-for-one basis, pending final settlement of the Korean question.

(7) Appropriate provision shall be made in the cease-fire arrangements in regard to steps to insure (a) the security of the forces; (b) the movement of refugees; and (c) the handling of other specific problems arising out of the cease-fire, including civil government and police power in the demilitarised zone.

(8) The General Assembly should be asked to confirm the cease-fire arrangements, which should continue in effect until superseded by further steps approved by the United Nations.

5. The Group then attempted to consult the Central People's Government of the People's Republic of China and, for this purpose, sent a message by hand to Ambassador Wu and repeated it by cable to the Minister for Foreign Affairs in Peking. The text of this message is reproduced below:

DEAR AMBASSADOR WU, As you have already been informed by Resolution 1717, a copy of which was sent to

you yesterday, a Committee was set up by the General Assembly of the United Nations on the previous day, December 14, consisting of myself and my two colleagues, Sir Benegal Rau of India, and Mr. L. B. Pearson of Canada, charged with the duty of determining whether it is possible to arrange appropriate and satisfactory conditions for a cease-fire in Korea. The purpose of this cease-fire in Korea will be to prevent the conflict from spreading to other area, to put an end to the fighting in Korea, and to provide an opportunity for considering what further steps should be taken for a peaceful settlement of existing issues, in accordance with the purposes and principles of the United Nations.

The above Committee has now met representatives of the Unified Command in Korea, and has discussed with them, in an exploratory manner, possible conditions upon which a cease-fire might be established. Since the Government of the Communist People's Republic of China has expressed strong views on the future of Korea, and about the present state of warfare in that country, and since Chinese are participating in that warfare, the Committee wishes also to discuss with your Government or its representatives, and with the military authorities in command of the forces operating in North Korea possible conditions upon which a cease-fire might be established. For this purpose, we desire to see you at your earliest convenience, and we should be grateful to know when a meeting can be arranged.

We realised that your Government which sent you here with other objects in mind, may prefer other arrangements by which a cease-fire can be discussed with them. We wish your Government to know that, in the interests of stopping the fighting in Korea and of facilitating a just settlement of the issues there in accordance with the principles of the United Nations Charter, we are prepared to discuss cease-fire arrangements with your Government or its representatives either here or elsewhere, as would be mutually convenient. We urge only that arrangements for these discussions should be made with the least possible delay. With this in mind, we are sending the text of this communication directly to your Government by telegram.

Yours sincerely,  
December 16, 1950.

NASROLLAH ENTEZAM.

6. On 18 December, Mr. Pearson, on behalf of the Group, submitted a brief preliminary account of its activities to the First Committee, hoping that a fuller report would be made in the near future.

7. On 16 December, the President, acting on behalf of the Group, had availed himself of the good offices of the Swedish Delegation to transmit through the Swedish Embassy in Peking a request to the Central People's Government that Ambassador Wu be instructed to stay on in New York and discuss with the Group the possibility of arranging a cease-fire. The reply to the request, communicated to the President on 21 December, through the same channel was as follows:

The Central People's Government acknowledges receipt of a message dated 18th December 1950 from Mr. Entezam, President of the General Assembly, transmitted via the Swedish Government and ask the Swedish Government to transmit the following reply to Mr. Entezam, President of the General Assembly.

The representative of the People's Republic of China neither participated in nor agreed to the adoption of the Resolution concerning the so-called 3-men Committee for Cease Fire in Korea by United Nations General Assembly. The Central People's Government has repeatedly declared that the Central People's Government would regard as illegal and null and void all major resolutions especially those concerning Asia which might be adopted by the United Nations without the participation and approval

of the duly appointed delegates of the People's Republic of China. Therefore the Central People's Government cannot instruct its representative General Wu to continue to remain in Lake Success for negotiations with the above-mentioned 3-men illegal Committee. After the Security Council unreasonably voted against the "Complaint against the United States armed aggression against Taiwan" raised by the People's Republic of China General Wu was instructed by the Central People's Government to continue to stay at Lake Success for participation in the discussion of "the complaint of the U.S. aggression against China" submitted by the USSR representative; although he has waited for a long time and until the United Nations General Assembly was declared adjourned, he was still not given the opportunity to speak. Under such circumstances, the Central People's Government deems that there is no more necessity for General Wu and his staff to remain at Lake Success and has therefore instructed him to start their homeward journey on December 19.

2. As to the question of how the United Nations may get in touch with the Korean Democratic People's Republic the Central People's Government is of the opinion that United Nations should address direct inquiry to the Government of the Korean Democratic People's Republic.

8. On 19 December, acting on a recommendation from the sponsors of the twelve-Power resolution introduced in the First Committee on 12 December, the Group sent another message to the Foreign Minister of the Central People's Government. This was intended to remove any possible misunderstandings which may have arisen out of the separation of the twelve-Power resolution from the thirteen-Power resolution adopted by the General Assembly on 14 December. The text of the message is given below:

CHOU EN-LAI,  
Minister for Foreign Affairs  
Central People's Government of People's Republic of China  
(Peking, China)

In the consideration which you are giving to our earlier message, we are anxious that there should be no misunderstanding as to the relationship between the United Nations Resolution establishing a cease fire group, and resolution proposed by twelve Asian Government, recommending appointment of a committee to meet as soon as possible and make recommendations for peaceful settlement of existing issues in Far East. It is our clear understanding and also that of the twelve Asian sponsors, that once a cease fire arrangement had been achieved, the negotiations visualised in the second resolution should be proceeded with at once. Indeed, the preamble to cease fire resolution states specifically that steps should be taken for a peaceful settlement when fighting in Korea is ended. It is also our view, as well as that of the twelve Asian governments sponsoring the second resolution, that Government of the Peoples Republic of China should be included in the Negotiating Committee referred to in that resolution. We feel that this Committee could become an effective channel for seeking peaceful solution of existing issues in Far East between the United States, the United Kingdom, the Soviet Union and China. For that purpose, in our opinion, it should be set up with minimum of delay, but to make that possible a "cease fire" arrangement must be put into effect. This point of view has been communicated to your Delegation which left New York today, and we express the hope that you will give full weight to it.

Committee of the General Assembly  
NASROLLAH ENTEZAM,  
President of the General Assembly  
SIR BENEGAL RAU  
LESTER B. PEARSON

9. On 23 December, the President of the General Assembly, in his capacity as such, received from the Foreign Minister of the Central People's Government the text of a statement issued by the latter in Peking on 22 December explaining the attitude of the Central People's Government on the Resolution constituting the Cease-Fire Group and on the peaceful settlement of the Korean question. This document is reproduced as an Annex. It appears to be in the nature of an answer to the Group's message of 16 December.

10. In these circumstances and in spite of its best efforts, the Group regrets that it has been unable to pursue discussion of a satisfactory cease-fire arrangement. It therefore feels that no recommendation in regard to a cease-fire can usefully be made by it at this time.

#### **ANNEX I TO THE REPORT OF THE GROUP ON CEASE FIRE IN KOREA**

(Cablegram dated 23 December 1950 from the Minister of Foreign Affairs of the Central People's Government of the People's Republic of China addressed to the President of the General Assembly)

PEKING, December 23, 1950

NASROLLAH ENTEZAM,  
President of the Fifth Session  
of the United Nations General Assembly,  
Lake Success.

The attitude of the Central Peoples Government of the Peoples Republic of China on the so-called "three man committee for cease-fire in Korea" and the peaceful settlement of the Korean question is to be found in my statement issued on December 22. Besides being broadcast by the Hsia Hua News Agency on the same date, the said statement is hereby transmitted by cable for your information.

CHOU EN-LAI,  
Minister for Foreign Affairs of the  
Central Peoples Government of the  
Peoples Republic of China,

PEKING, December 22, 1950.

Statement by Chou En-Lai, Minister for Foreign Affairs of the Central Peoples Government of the Peoples Republic of China on the resolution concerning the "three-man committee for cease-fire in Korea" illegally adopted by the United Nations General Assembly, on December 14, 1950.

The General Assembly of the United Nations illegally adopted a resolution submitted by thirteen nations concerning a so-called cease-fire in Korea. This resolution provided for the establishment of a three-man committee, consisting of the President of the current session of the United Nations General Assembly, Entezam, the Indian Delegate Rau, and the Canadian Delegate Pearson both appointed by him, to conduct talks to determine whether it is possible to arrange appropriate and satisfactory conditions for a cease-fire in Korea, and then to make recommendations to the United Nations General Assembly. With reference to this resolution, Chou En-Lai, Minister for Foreign Affairs of the Central Peoples Government, the Peoples Republic of China, issues the following statement:

"1" The Representative of the Peoples Republic of China neither participated in nor agreed to the adoption of the resolution concerning the so-called "three-man commit-

tee for cease-fire in Korea" by the United Nations General Assembly. Prior to this, the Central Peoples Government of the Peoples Republic of China had repeatedly declared that the Central Peoples Government of the Peoples Republic of China would regard as illegal and null and void all resolutions on major problems, especially those concerning the major problems of Asia, which might be adopted by the United Nations without the participation and concurrence of the duly appointed Delegates of the Peoples Republic of China. Therefore, the Government of the Peoples Republic of China and its Delegates are not prepared to make any contact with the above mentioned illegal "three-man committee".

"2" The Central Peoples Government of the Peoples Republic of China has always held and still holds that the hostilities in Korea should be speedily brought to an end. In order to end the hostilities in Korea, genuine peace must be restored in Korea, and the Korean people must have genuine freedom to settle their own problems. The reason why the hostilities in Korea have not yet been put to an end is precisely because of the fact that the United States Government has despatched troops to invade Korea and is continuing and extending its policies of aggression and war. As far back as the beginning of the hostilities in Korea, we here stood for the peaceful settlement and localisation of the Korean problem. For this reason, the Government of the Peoples Republic of China and that of the USSR have repeatedly proposed that all foreign troops be withdrawn from Korea, and that the Korean people be left alone to settle the Korean problem themselves. However, the United States Government not only rejected such a proposal, but also rejected negotiations for the peaceful settlement of the Korean problem. When the invading troops of the United States arrogantly crossed the 38th parallel, at the beginning of the month of October, the United States Government, recklessly ignoring warnings from all quarters and following the provocative crossing of the border by Syngman Rhee in June, thoroughly destroyed, and hence obliterated forever this demarcation line of political geography. In the later part of November, when the Representative of the Peoples Republic of China was invited to take part in the discussion by the Security Council on the charge against United States aggression in Taiwan, he again submitted the proposal that the United States and other foreign troops be all withdrawn from Korea, and that the People of South and North Korea be left alone to settle their domestic affairs. But the United Nations Security Council, under the domination of the United States, rejected this reasonable peace proposal from the Government of the Peoples Republic of China. From this it is evident that since the United States Government has from the very beginning refused to withdraw its troops, it has absolutely no sincerity in ending the hostilities in Korea, still less in letting the Korean people have genuine peace and freedom.

"3" This being the case, why does the American Delegate, Mr. Austin, now favour an immediate cease-fire in Korea, and why does President Truman also express willingness to conduct negotiations to settle the hostilities in Korea? It is not difficult to understand that, when the American invading troops were landing at Inchon, crossing the 38th parallel or pressing toward the Yalu River, they did not favour an immediate cease-fire and were not willing to conduct negotiations. It is only today when the American invading troops have sustained defeat, that they favour an immediate cease-fire and the conducting of negotiations after the cease-fire. Very obviously, they opposed peace yesterday, so that the United States might continue to extend her aggression; and they favour a cease-fire today, so that the United States may gain a breathing space and prepare to attack again, or at least hold their present aggressive position in preparation for further advance. What they care about is not the interests of the Korean people and the Asian peoples, nor those of the American people. They are only interested in how American imperialists can maintain their invading

troops and aggressive activities in Korea, how they can continue to invade and occupy China's Taiwan and how they can intensify the preparation for war in the capitalist world. Therefore, the Representative of MacArthur's Headquarters said bluntly that they could accept a cease-fire only on a military basis and without any political conditions. This means that, all the status of aggression will remain the same after the cease-fire, so that they can fight again when they are prepared. Further, they could take this opportunity to declare the existence of a state of emergency and to prepare for mobilisation in the United States, in Western Europe and Japan, thus driving the peoples of the United States, Western Europe and Japan down into the abyss of war. Is this not what Messrs. Truman, Acheson, Marshall and MacArthur are doing now? With reference to the so-called proposal for cease-fire first and negotiations afterwards, irrespective of the fact that the proposal by the twelve nations had neither been adopted by the Security Council nor by the United Nations General Assembly and irrespective of what countries are to be included in the negotiating conference and even if all these had been agreed upon, the agenda and contents of the negotiation could still be discussed endlessly after the cease-fire. If the conference is not a conference of the legal Security Council or of the legal Five Power conferences, or is not affiliated to them, the U. S. Government in the last resort can still manipulate its voting machine. Thus to discuss the cease-fire and start negotiations not on the basis of the withdrawal of all foreign troops from Korea and the settling of Korean domestic affairs by the Korean people themselves is to act hypocritically and would therefore suit the designs of the U. S. Government, and hence cannot satisfy the sincere desire of the peace-loving peoples of the world. The three-man committee—a cease-fire on the spot—peace negotiations—launching of a huge offensive: this Marshall formula is not in the least unfamiliar to the Chinese people, because in 1946, General Marshall assisted Chiang Kai Shek in this way, repeatedly for a whole year, and in the end had to admit failure and leave. Will the people of China, who had learned this lesson in 1946 and later gained victory, fall into such trap today? No, the old trick of General Marshall will not work again in the United Nations.

"4" Moreover, the present issues are definitely not confined to the Korean problem. While the United States Government was engineering the hostilities in Korea, it despatched the Seventh Fleet to invade China's Taiwan and then bombed North-East China, fired on Chinese merchant vessels and extended its aggression in East Asia. Against all this, the Central Peoples Government of the Peoples Republic of China has repeatedly lodged charges with the United Nations. But under American domination, the majority in the United Nations has not only upheld American aggression against Korea and supported American invasion and occupation of Taiwan, the bombing of North-East China, but also rejected the three proposals submitted by our representative on the charge against the United States for armed aggression against Taiwan, and shelved the charge of the United States aggression against China made by the Delegate of the Soviet Union. Our Representative was kept waiting for a long time and until the First Committee of the United Nations General Assembly was indefinitely adjourned, he was not given a chance to speak.

This attitude which was taken by the majority of the United Nations under the domination of the Anglo-American bloc, obviously violates the United Nations Charter and its purposes. They are furthering rather than checking American aggression. They are undermining rather than defending world peace.

What particularly arouses the world's indignation is that, in spite of the fact that during the past several months the United Nations held innumerable discussions on China or on important questions concerning China,

the Delegates of the Peoples Republic of China, who are the only Representatives of the four hundred and seventy-five million people of China, are still being kept out of the doors of the United Nations, whereas the Representatives of a handful of the Chiang Kai Shek reactionary remnants are still being allowed to usurp the seats of the Chinese Delegation in the United Nations. To such an extent the Chinese people have been slighted and insulted!

Therefore, the Chinese people, who, impelled by righteous indignation, have risen to volunteer in resisting the United States and helping Korea, and thus protecting their homes and defending their country are absolutely reasonable and justified in so doing. The Chinese peoples' volunteers, who have been forced to take up arms side by side with the Korean Peoples' Army to resist the American aggressors, under the Unified Command of the Government of the Korean Democratic Peoples Republic, are fighting for their own existence, fighting to aid Korea and fighting for the peace of East Asia as well as the peace of the whole world.

"5" It must be pointed out that the proposal for a peaceful settlement of the Korean problem submitted by the majority of the Delegates of the thirteen Asian and Arabian nations was originally based on their desire for peace, and this is understandable. But they have failed to see through the whole intrigue of the United States Government in supporting the proposal for a cease-fire first and negotiations afterwards, and therefore they have not seriously considered the basic proposals of the Chinese Government concerning the peaceful settlement of the Korean problem.

The original thirteen-nation resolution was not wholly palatable to the United States Government, so it was separated into two resolutions. The first resolution, or the resolution providing for the so-called "three man committee for cease-fire in Korea", which is satisfactory to the United States, was, under pressure, given priority for discussion and was consequently adopted by the United Nations General Assembly. But the second resolution, or the resolution providing for a so-called "negotiating conference" "negotiating commission", with which the United States was either not satisfied, or not quite satisfied, was therefore shelved for the time being.

The difference between these two resolutions was remarkably demonstrated by the attitude of the Philippine Delegate. The Philippine Delegate, who always follows in the footsteps of the United States, only agreed to the first resolution but withdrew from the second resolution. This trick of close co-operation displayed by the Philippines in the role of demanding a cease-fire and by the United States in the role supporting it has thus been exposed.

From this fact itself, the lesson can be drawn that if the Asian and Arabian nations wish to gain genuine peace, they must free themselves from United States pressure and must abandon the "three man committee for cease-fire in Korea", and give up the idea of cease-fire first and negotiations afterwards.

"6" The Central Peoples Government of the Peoples Republic of China solemnly declares that the Chinese people eagerly hope that the hostilities in Korea can be settled peacefully. We firmly insist that, as a basis for negotiating for a peaceful settlement of the Korean problem, all foreign troops must be withdrawn from Korea, and Korea's domestic affairs must be settled by the Korean people themselves. The American aggression forces must be withdrawn from Taiwan. And the Representatives of the Peoples Republic of China must obtain a legitimate status in the United Nations. These points are not only the justified demands of the Chinese people and the Korean people; they are also the urgent desire of all progressive public opinion throughout the world. To put aside these points would make it impossible to settle peacefully the Korean problem and the important problems of Asia.

## The United States in the United Nations

[December 22, 1950—January 11, 1951]

### General Assembly

Although the work of the fifth session of the General Assembly has been largely completed, Committee I (Political and Security) continues to be active having still on the agenda certain items relating to the situation in the Far East. On January 3, the Committee met for the first time since December 18 to hear Sir Benegal Rau (India) report on the efforts of the three-member group appointed under the Assembly resolution of December 14 for determining the basis on which a satisfactory cease-fire in Korea might be arranged. All moves, Sir Benegal stated, to consult with the Chinese Communists had been fruitless. In addition to describing the steps taken by the group, and the eight points suggested by the unified command as the basis for a cease-fire, the report had appended a lengthy cable from the Chinese Communist Foreign Minister denouncing the cease-fire group as "illegal" and demanding immediate withdrawal of all foreign troops from Korea as a prerequisite to peaceful settlement.

After thanking the group, Ambassador Warren R. Austin (U.S.) asserted that the onus for the lack of success should be placed on the Chinese Communists, who, by their large-scale offensive against United Nations forces, had compounded the original North Korean aggression. He stressed that the United States was ready to discuss with the Peiping regime, at an appropriate time and in an appropriate forum, ways to achieve by peaceful means United Nations objectives in Korea.

At the January 5 meeting, Canadian Representative Pearson, as spokesman for the cease-fire group, informed the Committee that the group was not yet prepared to report on principles that might underlie an agreed solution of the Korean and other Far Eastern problems. In a general statement of the United States position, Ambassador Austin emphasized that "it would be incomprehensible for the United Nations as the cohesive force in the free world to ignore" Chinese Communist aggression. To do so could only mean that "big aggression can succeed with impunity." However, he said, we would acquiesce in the request of the cease-fire group for more time to prepare a statement of principles, in the interest of free world unity and because "we believe that it may be a step leading to a pacific settlement." The Committee rejected a Soviet proposal to see a "documentary" film on United States "atrocities" in Korea.

Following a decision on January 8, to adjourn for 3 days to give the cease-fire group additional

time, the Committee on January 11, heard a five-point statement of principles to underlie a cease-fire settlement in Korea, presented as a supplementary report by the cease-fire group. The statement called for: (1) immediate arrangement of a cease-fire, safeguarded to prevent use as a screen for further attacks; (2) advantage to be taken either of the cease-fire or of a lull in hostilities to pursue further peacemaking moves; (3) withdrawal of all non-Korean forces progressively to allow eventual free elections; (4) interim arrangements for the administration of Korea; and (5) following a cease-fire, an appropriate body to be set up by the General Assembly to achieve a settlement of Far Eastern problems. Among the problems specifically mentioned in the fifth point were Formosa and Chinese representation in the United Nations. The contemplated General Assembly body to work out this projected settlement would include the United States, the United Kingdom, the U.S.S.R., and the "People's Republic of China." Support for this plan was voiced by Norway, France, India, the United Kingdom, the United States, Israel, Turkey, and Chile. The preliminary comment of Soviet Representative Malik, however, was unfavorable.

### Economic and Social Council

The Committee on Non-Governmental Organizations met on January 4 to consider three items proposed for inclusion on the provisional agenda for the twelfth session of the Economic and Social Council in February. The Committee decided to recommend to the Secretary-General that the World Federation of Trade Unions (WFTU) item on the lowering of living standards as a result of war economy not be included. It also took a negative position on an International Confederation of Free Trade Unions proposal but recommended favorably in the case of an International Chamber of Commerce item concerning the conclusion of an international convention on customs treatment of samples and advertising material. The United States representative on the Committee stated that he voted against the WFTU proposal because it was bound to be considered at the twelfth session of the Council in connection with another agenda item and because the supporting WFTU document was inaccurate and tendentious. On January 11, the agenda committee of the Council met to discuss the provisional agenda for the twelfth session, but final decisions were postponed until the Committee's February 16 meeting at Santiago, Chile.

## **United States Delegations to International Conferences**

### **Development of Water Resources**

The Department of State announced on December 28 that Gail A. Hathaway, special assistant to the chief of engineers, Department of the Army, and president-elect of the American Society of Civil Engineers, has been designated as chairman of the United States delegation to each of several international engineering conferences which are to meet in India in January 1951 to consider questions relating to the control and development of water resources.

The Fourth International Congress on Large Dams will be convened at New Delhi on January 10, 1951, under the sponsorship of the International Commission on Large Dams, a subsidiary organization of the World Power Conference, to consider such matters as methods for determining the maximum discharge of water which may be expected at a dam and for which it should be designed, the design and construction of earth and rockfill dams, sedimentation of reservoirs, and the effect of various conditions on the properties of concrete. Concurrently, a sectional meeting of the World Power Conference will discuss the use of energy, in particular the use of electricity in agriculture and the coordination of the development of industries and the development of power resources. A list of the names of the members of the United States delegation to these two conferences follows below.

The Indian National Committee of the World Power Conference has also made arrangements for an exhibition of engineering activities relating to the conservation and use of water and power to open at New Delhi on January 10. Various countries have been invited to show what they have accomplished in these fields and will display working and still models of machinery and devices relating to river control, flood control, irrigation, navigation, water supply, bridges and allied structures, and power generation, transmission, and utilization, as well as charts, maps, and photographs. The exhibit of the United States Government consists of three units which have been developed, respectively, by the Corps of Engineers of the Department of the Army, the Department of the Interior, and the Tennessee Valley Authority.

Before the opening of the two conferences and the exhibition at New Delhi on January 10, Mr. Hathaway and other members of a United States delegation will participate in a Meeting of the International Association of Hydraulic Research, to be held at Bombay, January 2-5, 1951. The International Association of Hydraulic Research was organized approximately 15 years ago for the purpose of developing and exchanging technical information in the field of hydraulics, particularly with respect to hydraulic design and model testing.

At its forthcoming meeting, attention will be focused on questions relating to the design of lined canals, headworks to exclude solid materials from canals, the effect of barrages and dams on the regime of rivers, and the distribution and control of water and solids in canals.

From January 7-January 9, Mr. Hathaway, assisted by Leslie N. McClellan, chief engineer, Bureau of Reclamation, Department of the Interior, Denver, Colorado, will also serve as the United States delegate to a Technical Conference on Flood Control to be held at New Delhi. That conference is being convened by the Bureau of Flood Control of the United Nations Economic Commission for Asia and the Far East to consider a report which it has prepared on methods of flood control.

Following are the members of the United States delegation to the Fourth International Congress on Large Dams and the sectional meeting of the World Power Conference, New Delhi, India, January 10, 1951:

#### **Members**

Francis L. Adams, assistant chief, Bureau of Power, Federal Power Commission  
Preston T. Bennett, civil engineer (Soils Mechanics), Omaha District, Corps of Engineers, Omaha, Nebr.  
Clarence E. Blee, chief engineer, Tennessee Valley Authority  
Waldo G. Bowman, editor, *Engineering News-Record*, McGraw-Hill Publications, New York, N. Y.  
William C. Cassidy, hydraulic engineer, South Pacific Division, Corps of Engineers, San Francisco, Calif.  
Henry L. Delmel, Jr., counselor of Embassy for Economic Affairs, American Embassy, New Delhi, India  
Jacob H. Douma, hydraulic engineer, Civil Works, Office of the Chief of Engineers, Department of the Army  
Francis S. Friel, president, Albright and Friel, consulting engineers, Philadelphia, Pa.  
Leslie N. McClellan, chief engineer, Bureau of Reclamation, Department of the Interior, Denver, Colo.  
Robert J. Pafford, Jr., hydraulic engineer, Missouri River Division, Corps of Engineers, Omaha, Nebr.  
Louis E. Rydell, civil engineer, Walla Walla District, Corps of Engineers, Walla Walla, Wash.  
Michael W. Straus, commissioner of reclamation, Department of the Interior.  
Claude R. Wickard, administrator, Rural Electrification Administration, Department of Agriculture.

The same delegation will represent the United States at the Meeting of the International Association of Hydraulic Research at Bombay, India, on January 2, 1951, with the exception of the following:

Henry L. Delmel, Jr., counselor of Embassy for Economic Affairs, American Embassy, New Delhi, India  
Michael W. Straus, commissioner of reclamation, Department of the Interior.  
Claude R. Wickard, administrator, Rural Electrification Administration, Department of Agriculture

#### **Executive Board (WHO)**

The Department of State announced on January 5 that Dr. H. van Zile Hyde, whom President Truman appointed in October 1948 as the United States representative on the Executive Board of

the World Health Organization (WHO), will head the United States delegation to the seventh session of the Executive Board, beginning on January 22 at Geneva.

Dr. Hyde will be assisted by Howard B. Calderwood, Office of United Nations Economic and Social Affairs, Department of State, as the alternate United States representative. Dr. Frederick J. Brady, assistant chief, International Organizations, Division of International Health, United States Public Health Service, and Alvin Roseman, United States representative for specialized agency affairs, Geneva, will serve as advisers.

Dr. Hyde will be unable to attend a preliminary meeting of the Executive Board's Standing Committee on Administration and Finance, beginning on January 8 at Geneva. In his absence, Dr. Brady has been appointed as alternate United States representative, and Mr. Calderwood and Mr. Roseman will serve as advisers.

The Executive Board, composed of 18 member states of WHO, is responsible for putting into effect the decisions and policies of the Organization's main constituent organ, the Health Assembly. Meetings of the Executive Board are held at least semiannually.

The forthcoming meetings will give consideration, among other items, to the proposed program and budget for 1952 and financial matters affecting WHO. In addition, the Executive Board has included in its provisional agenda such topics as the prevalence of tropical ulcer and of leprosy throughout the world, technical assistance to underdeveloped countries, and reports on the progress made by various expert and regional committees concerned with such matters as tuberculosis, mental health, venereal diseases, and school health services.

#### THE FOREIGN SERVICE

#### Appointments to Foreign Service Selection Board Announced

[Released to the press December 19]

The State Department announced today that plans have been completed for the 1951 Selection Boards to review the records and recommend promotions for career officers of the United States Foreign Service. The Boards will convene on January 8, 1951, and will continue in executive session for 6 weeks.

The annual Selection Board meetings were developed as a consequence of the Foreign Service Act of 1946, which included among its objectives the declaration that "promotions leading to positions of authority and responsibility shall be on

the basis of merit and selection on an impartial basis of outstanding persons for such positions."

There are three Selection Boards, each composed of four Foreign Service officers and two public members. The officers who serve must have outstanding performance records, established reputations for sound judgment of personnel, and enjoy the confidence of the Service. In addition, these officers are selected as nearly as possible so that experience in the major areas of the world and in the major functions of the Service are represented on each Board.

The 12 Foreign Service officials who are members of the Board are: J. Rives Childs, Ambassador to Jidda; William DeCourcy, Ambassador to Port-au-Prince; David McK. Key, Ambassador to Rangoon; Robert Murphy, Ambassador to Brussels; Harold Minor, recently Counselor of Embassy, Athens; Sidney Belovsky, Consul General at St. John's, Newfoundland; Sam Berger, recently First Secretary of Embassy and Consul, London; Thomas Hickok, Member of Inspection Corps; Gerald A. Drew, Minister to Amman; Francis Flood, First Secretary of Embassy, Ottawa; Waldo Bailey, Consul, Bombay; and Richard A. Johnson, Consul, Guadalajara, Mexico.

The public members are men—not connected with the government—who are prominent in American business, labor, and academic fields and who are willing to devote considerable time in order to be of service to the government. The names of the public members will be announced later.

Members of the Selection Boards are assisted in their deliberations by observers representing Departments of Agriculture, Commerce, and Labor.

The Foreign Service is the field-operating arm of the Department of State which represents the United States Government abroad. It consists of more than 16,000 employees, including approximately 1,400 career officers, at approximately 280 consulates and diplomatic missions scattered throughout the world. Through these posts, the United States conducts its business with other nations. In addition to their well-known diplomatic functions, officials of the Foreign Service perform many other services for this Government and its citizens. These services include the issuance of passports and visas, economic and political reporting, reporting for the benefit of American business on possible markets for United States products or possible supplies of raw materials, and protecting American citizens abroad. At one time or another, officials of the Foreign Service may be charged with performing any or all of these functions in posts ranging from Capetown to Helsinki or from Buenos Aires to Rangoon.

#### Consular Offices

The American Consulate General at Dusseldorf, Germany, was opened December 1, 1950.

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